
Section 1: 10-K (10-K)

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ANNUAL REPORT ON FORM 10-K

HORMEL FOODS CORPORATION

OCTOBER 29, 2017



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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended October 29, 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: 1-2402

HORMEL FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-0319970
(I.R.S. Employer Identification No.)

1 Hormel Place

Registrant's telephone number, including area code (507) 437-5611

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01465 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 30, 2017, was \$9,415,266,160 based on the closing price of \$35.08 on the last business day of the registrant's most recently completed second fiscal quarter.

As of December 1, 2017, the number of shares outstanding of each of the registrant's classes of common stock was as follows:

Common Stock, \$0.01465 – Par Value 529,585,006 shares
Common Stock Non-Voting, \$0.01 Par Value – 0 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, are incorporated by reference into Part I, Items 1 and 1A and Part II, Items 5-8 and 9A, and included as Exhibit 13.1 filed herewith. Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held January 30, 2018, are incorporated by reference into Part III, Items 10-14.

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PART I

Item 1. BUSINESS

(a) General Development of Business

Hormel Foods Corporation, a Delaware corporation (the Company), was founded by George A. Hormel in 1891 in Austin, Minnesota, as Geo. A. Hormel & Company. The Company started as a processor of meat and food products and continues in this line of business. The Company's name was changed to Hormel Foods Corporation on January 31, 1995. The Company is primarily engaged in the production of a variety of meat and food products and the marketing of those products throughout the United States and internationally. Although pork and turkey remain the major raw materials for its products, the Company has emphasized for several years the manufacturing and distribution of branded, value-added consumer items rather than the commodity fresh meat business. The Company has continually expanded its product portfolio through organic growth, new product development, and acquisitions.

Internationally, the Company markets its products through Hormel Foods International Corporation (HFIC), a wholly owned subsidiary. HFIC has a presence in the international marketplace through joint ventures and placement of personnel in strategic foreign locations such as Australia, Brazil, Canada, China, Japan, and the Philippines. HFIC has a global presence with a minority position in a food company in the Philippines (The Purefoods-Hormel Company, Inc., 40% holding).

On November 27, 2017, subsequent to the end of the fiscal year, the Company completed the acquisition of Columbus Manufacturing, Inc. (Columbus), an authentic premium deli meat and salami company, from Chicago-based Arbor Investments. The purchase price is approximately \$850.0 million. The transaction was closed in the first quarter of fiscal 2018 and was funded with cash on hand along with borrowing \$375.0 million

under a term loan facility and \$375.0 million under a revolving credit facility. The allocation of the purchase price will be finalized upon completion of the fair value analysis of Columbus's assets. Columbus specializes in authentic premium deli meat and salami and allows the Company to enhance its scale in the deli by broadening its portfolio of products, customers, and consumers.

On August 22, 2017, the Company acquired Cidade do Sol (Ceratti) for a preliminary purchase price of approximately \$103.5 million, subject to customary working capital adjustments. The transaction was funded by the Company with cash on hand. The acquisition of the *Ceratti*® brand allows the Company to establish a full in-country presence in the fast-growing Brazilian market with a premium brand.

On August 16, 2017, the Company acquired Fontanini Italian Meats and Sausages (Fontanini), a branded foodservice business, from Capitol Wholesale Meats, Inc. for a preliminary purchase price of \$427.9 million, subject to customary working capital adjustments. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately \$90.0 million. The transaction was funded by the Company with cash on hand and by utilizing short-term financing. Fontanini specializes in authentic Italian meats and sausages, as well as a variety of other premium meat products including pizza toppings and meatballs and allows the Company to expand its foodservice business.

On January 3, 2017, the Company completed the sale of Clougherty Packing, LLC, parent company of Farmer John and Saag's Specialty Meats, along with PFFJ, LLC, farm operations in California, Arizona, and Wyoming. The closing price was \$145.0 million in cash.

On May 26, 2016, the Company acquired Justin's, LLC (Justin's) of Boulder, Colorado, for a purchase price of \$280.9 million. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately \$70.0 million. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. This acquisition allowed the Company to enhance its presence in the specialty natural and organic nut butter category.

On May 9, 2016, the Company completed the sale of Diamond Crystal Brands resulting in proceeds, net of selling costs, of closing price of \$110.1 million.

On July 13, 2015, the Company acquired Applegate Farms, LLC (Applegate) of Bridgewater, New Jersey, for a final purchase price of \$774.1 million in cash. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. This acquisition allows the Company to expand the breadth of its protein offerings to provide consumers more choice in this fast growing category.

The Company has not been involved in any bankruptcy, receivership, or similar proceedings during its history. Substantially all the assets of the Company have been acquired in the ordinary course of business.

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The Company had no other significant change in the type of products produced or services rendered, or in the markets or methods of distribution, since the beginning of the 2017 fiscal year.

(b) Segments

The Company's business is reported in five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store (JOTS), Specialty Foods, and International & Other. Net sales to unaffiliated customers, operating profit, total assets, and the presentation of certain other financial information by segment, are reported in Note P of the Notes to Consolidated Financial Statements and in the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, incorporated herein by reference.

(c) Description of Business

Products and Distribution

The Company's products primarily consist of meat and other food products. The meat products are sold fresh, frozen, cooked, and canned. The percentages of total revenues contributed by classes of similar products for the last three fiscal years are as follows:

	Fiscal Year Ended		
	<u>October 29, 2017</u>	<u>October 30, 2016</u>	<u>October 25, 2015</u>
Perishable	53.7%	53.1%	53.0%
Poultry	20.2	18.2	18.4
Shelf-stable	19.1	20.5	18.6
Miscellaneous	7.0	8.2	10.0
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Reporting of revenues from external customers is based on similarity of products, as the same or similar products are sold across multiple distribution channels such as retail, foodservice, or international. Revenues reported are based on financial information used to produce the Company's general-purpose financial statements.

The Perishable category includes fresh meats, frozen items, refrigerated meal solutions, sausages, hams, guacamole, and bacon (excluding JOTS products). Shelf-stable includes canned luncheon meats, peanut butter, chilies, shelf-stable microwavable meals, hash, stews, meat spreads, flour and corn tortillas, salsas, tortilla chips, and other items that do not require refrigeration. The Poultry category is composed primarily of JOTS

products. The Miscellaneous category primarily consists of nutritional food products and supplements, dessert and drink mixes, and industrial gelatin products.

Domestically, the Company sells its products in all 50 states. The Company's products are sold through its sales personnel, operating in assigned territories or as dedicated teams serving major customers, coordinated from sales offices located in most of the larger U.S. cities. The Company also utilizes independent brokers and distributors. As of October 29, 2017, the Company had approximately 1,030 sales personnel engaged in selling its products. Distribution of products to customers is primarily by common carrier.

Through HFIC, the Company markets its products in various locations throughout the world. Some of the larger markets include Australia, Brazil, Canada, China, England, Japan, Mexico, Micronesia, the Philippines, Singapore, and South Korea. The distribution of export sales to customers is by common carrier, while the China and Brazil operations own and operate their own delivery system. The Company, through HFIC, has licensed companies to manufacture various Company products internationally on a royalty basis, with the primary licensees being Tulip International of Denmark and CJ CheilJedang Corporation of South Korea.

Raw Materials

The Company has, for the past several years, been concentrating on branded products for consumers with year-round demand to minimize the seasonal variation experienced with commodity-type products. Pork continues to be the primary raw material for Company products. The Company's expanding line of branded products has reduced, but not eliminated, the sensitivity of Company results to raw material supply and price fluctuations.

The majority of the hogs harvested by the Company are purchased under supply contracts from producers located principally in Minnesota, Iowa, Nebraska, and Kansas. The cost of hogs and the utilization of the Company's facilities are affected by both the level and the methods of pork production in the United States. The Company uses supply contracts to ensure a stable supply of raw materials. The Company's contracts are based on market-based formulas and/or markets of certain swine production inputs,

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to better balance input costs with customer pricing, and all contract costs are fully reflected in the Company's reported financial statements. In fiscal 2017, the Company purchased 96 percent of its hogs under supply contracts. The Company also procures a portion of its hogs through farms it either owns or operates in Colorado.

In fiscal 2017, JOTS raised turkeys representing approximately 77 percent of the volume needed to meet its raw material requirements for whole bird and branded turkey products. Turkeys not sourced within the Company are contracted with independent turkey growers. JOTS' turkey-raising farms are located throughout Minnesota and Wisconsin.

Production costs in raising hogs and turkeys are subject primarily to fluctuations in feed grain prices and, to a lesser extent, fuel costs. To manage this risk, the Company hedges a portion of its anticipated purchases of grain using futures contracts.

Additionally, the cost and supply of avocados, peanuts, whey, and natural and organic protein are impacted by the changing market forces of supply and demand, which can impact the cost of the Company's products. The Company uses long-term supply contracts and forward buying in an attempt to manage these risks.

Manufacturing

The Company has two plants that harvest hogs for processing. Quality Pork Processors, Inc. of Dallas, Texas, operates the harvesting facility in Austin, Minnesota, under a custom harvesting arrangement. The Company currently has seven turkey harvest and processing operations, and 31 facilities that produce and distribute other manufactured items. Albert Lea Select Foods, Inc. operates the processing facility in Albert Lea, Minnesota, under a custom manufacturing agreement. Company products are also custom manufactured by several other companies. The following are the Company's larger custom manufacturers: Abbyland Foods, Inc., Abbotsford, Wisconsin; Agropur Division Natrel USA, Maplewood, Minnesota; Algood Food Company, Louisville, Kentucky; Busseto Foods, Inc., Fresno, California; Deitz & Watson, Inc., Philadelphia, Pennsylvania; HP Hood LLC, Lynnfield, Massachusetts; John F. Martin and Sons, Stevens, Pennsylvania; Jones Dairy Farm, Fort Atkinson, Wisconsin; OSI Industries LLC, Chicago, Illinois; Perdue Farms Inc., Salisbury, Maryland; Reichel Foods, Inc., Rochester, Minnesota; Reser's Fine Foods, Topeka, Kansas; Steuben Foods, Jamaica, New York; and West Liberty Foods, LLC, West Liberty, Iowa. Exel, Inc., based in Westerville, Ohio, operates distribution centers for the Company in Dayton, Ohio, and Osceola, Iowa.

Patents and Trademarks

There are numerous patents and trademarks important to the Company's business. The Company holds 39 U.S.-issued and 10 foreign patents. Most of the trademarks are registered. Some of the more significant owned or licensed trademarks used by the Company or its affiliates are:

HORMEL, ALWAYS TENDER, APPLGATE, AUSTIN BLUES, BACON 1, BLACK LABEL, BREAD READY, CAFÉ H, CERATTI, CHI-CHI'S, COLUMBUS, COMPLEATS, CURE 81, CYTOSPORT, DAN'S PRIZE, DI LUSSO, DINTY MOORE, DON MIGUEL, DOÑA MARIA, EMBASA, EVOLVE, FAST 'N EASY, FIRE BRAISED, FONTANINI, HERDEZ, HORMEL GATHERINGS, HORMEL VITAL CUISINE, HOUSE OF TSANG, JENNIE-O, JUSTIN'S, LA VICTORIA, LAYOUT, LLOYD'S, MARY KITCHEN, MUSCLE MILK, NATURAL CHOICE, OLD SMOKEHOUSE, PILLOW PACK, RANGE BRAND, REV, ROSA GRANDE, SKIPPY, SPAM, SPECIAL RECIPE, THICK & EASY, VALLEY FRESH, and WHOLLY GUACAMOLE.

The Company's patents expire after a term that is typically 20 years from the date of filing, with earlier expiration possible based on the Company's decision to pay required maintenance fees. As long as the Company intends to continue using its trademarks, they are renewed indefinitely.

Customers and Backlog Orders

During fiscal year 2017, sales to Wal-Mart Stores, Inc. (Wal-Mart) represented approximately 14.4 percent of the Company's revenues (measured as gross sales less returns and allowances), compared to 13.7 percent in fiscal 2016. Wal-Mart is a customer for all five segments of the Company. The five largest customers in each segment make up approximately the following percentage of segment sales: 47 percent of Grocery Products, 40 percent of Refrigerated Foods, 42 percent of JOTS, 49 percent of Specialty Foods, and 20 percent of International & Other. The loss of one or more of the top customers in any of these segments could have a material adverse effect on the results of such segment. Backlog orders are not significant due to the perishable nature of a large portion of the products. Orders are accepted and shipped on a current basis.

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Competition

The production and sale of meat and food products in the United States and internationally are highly competitive. The Company competes with manufacturers of pork and turkey products, as well as national and regional producers of other meat and protein sources, such as beef, chicken, fish, peanut butter, and whey. The Company believes its largest domestic competitors for its Refrigerated Foods segment in 2017 were Tyson Foods, Inc. and Smithfield Foods, Inc.; for its Grocery Products segment, Conagra Brands, Inc., General Mills, Inc., Campbell Soup Co., and J. M. Smucker Co.; and for JOTS, Cargill, Inc. and Butterball, LLC.

All segments compete on the basis of price, product quality and attributes, brand identification, breadth of product line, and customer service. Through aggressive marketing and strong quality assurance programs, the Company's strategy is to provide higher quality products that possess strong brand recognition, which would then support higher value perceptions from customers.

Research and Development

Research and development continues to be a vital part of the Company's strategy to extend existing brands and expand into new branded items. The expenditures for research and development for fiscal 2017, 2016, and 2015, were approximately \$34.2 million, \$34.7 million, and \$32.0 million, respectively. There are approximately 145 employees engaged in full-time research and development, 69 in the area of improving existing products and 76 in developing new products.

Employees

As of October 29, 2017, the Company had approximately 20,200 active domestic and foreign employees.

(d) Geographic Areas

Financial information about geographic areas, including total revenues attributed to the U.S. and all foreign countries in total for the last three fiscal years of the Company, is reported in Note P of the Notes to Consolidated Financial Statements of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, incorporated herein by reference.

(e) Available Information

The Company makes available, free of charge on its Web site at www.hormelfoods.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are accessible under the caption, "Investors – Filings & Reports – SEC Filings" on the Company's Web site and are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

The documents noted above are also available in print, free of charge, to any stockholder who requests them.

(f) Executive Officers of the Registrant

<u>NAME</u>	<u>AGE</u>	<u>CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE</u>	<u>DATES</u>
James P. Sneec	50	Chairman of the Board, President and Chief Executive Officer President and Chief Executive Officer President and Chief Operating Officer Group Vice President/President Hormel Foods International Corporation	11/20/17 to Present 10/31/16 to 11/19/17 10/26/15 to 10/30/16 10/29/12 to 10/25/15
James N. Sheehan	62	Senior Vice President and Chief Financial Officer Vice President and Chief Accounting Officer Vice President and Controller	10/31/16 to Present 05/30/16 to 10/30/16 05/01/00 to 05/29/16
Steven G. Binder	60	Executive Vice President/President Hormel Business Units	10/31/11 to Present

Glenn R. Leitch	57	Executive Vice President (Supply Chain) Group Vice President/President Jennie-O Turkey Store, Inc.	12/04/17 to Present 10/31/11 to 12/03/17
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(f) Executive Officers of the Registrant - Continued

<u>NAME</u>	<u>AGE</u>	<u>CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE</u>	<u>DATES</u>
Deanna T. Brady	52	Group Vice President/President Consumer Product Sales Group Vice President (Foodservice) Vice President Sales (Foodservice Sales)	10/26/15 to Present 10/28/13 to 10/25/15 07/30/07 to 10/27/13
Thomas R. Day	59	Group Vice President (Refrigerated Foods) Group Vice President (Foodservice)	10/28/13 to Present 11/01/10 to 10/27/13
Donald H. Kremin	57	Group Vice President (Specialty Foods Group)	10/31/11 to Present
Luis G. Marconi	51	Group Vice President (Grocery Products) Vice President (Grocery Products Marketing)	10/31/16 to Present 03/05/12 to 10/30/16
James M. Splinter	55	Group Vice President (Corporate Strategy) Group Vice President (Grocery Products)	10/31/16 to Present 11/01/10 to 10/30/16
Larry L. Vorpahl	54	Group Vice President/President Hormel Foods International Corporation Group Vice President/President Consumer Products Sales	10/26/15 to Present 10/31/05 to 10/25/15
Mark A. Coffey	55	Senior Vice President (Supply Chain and Manufacturing) Vice President (Supply Chain) Vice President (Affiliated Businesses)	03/28/17 to Present 02/06/17 to 03/27/17 10/31/11 to 02/05/17
Janet L. Hogan	53	Senior Vice President (Human Resources) Vice President (Human Resources)	03/28/17 to Present 01/18/17 to 03/27/17
Steven J. Lykken	47	Senior Vice President/President Jennie-O Turkey Store, Inc. President Applegate Farms, Inc. Chief Operating Officer Applegate Farms, Inc. Senior Vice President Jennie-O Turkey Store, Inc. (Commodity/Supply Chain)	12/04/17 to Present 04/11/16 to 12/03/17 08/17/15 to 04/10/16 06/06/11 to 08/16/15
Lori J. Marco	50	Senior Vice President (External Affairs) and General Counsel Vice President (External Affairs) and General Counsel	03/30/15 to Present 01/24/11 to 03/29/15
Kevin L. Myers, Ph.D.	52	Senior Vice President (Research and Development and Quality Control) Vice President (Research and Development) Director Product and Process Development (Research and Development)	03/30/15 to Present 10/28/13 to 03/29/15 04/30/12 to 10/27/13
Jana L. Haynes	45	Vice President and Controller Director of Investor Relations Director of Taxes	05/30/16 to Present 10/28/13 to 05/29/16 01/01/07 to 10/27/13
Gary L. Jamison	52	Vice President and Treasurer Vice President and Chief Financial Officer Jennie-O Turkey Store, Inc. Vice President Finance Clougherty Packing, LLC	5/30/16 to Present 12/31/12 to 05/29/16 08/28/06 to 12/30/12

No family relationship exists among the executive officers.

Executive officers are elected annually by the Board of Directors at the first meeting following the Annual Meeting of Stockholders. Vacancies may be filled and additional officers elected at any time.

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Item 1A. RISK FACTORS

Information on the Company's risk factors included in the Management's Discussion and Analysis of Financial Condition and Results of

Operations on pages 32 through 34 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

<u>Location</u>	<u>Principal Segment</u> ⁽¹⁾	<u>Approximate Area</u> <u>(Square Feet,</u> <u>Unless Noted)</u>	<u>Owned or</u> <u>Leased</u>	<u>Lease</u> <u>Expiration Date</u>
<i>Harvest and Processing Plants</i>				
Austin, Minnesota	Refrigerated Foods Grocery Products Specialty Foods International & Other	1,406,000	Owned	
Barron, Wisconsin	JOTS	425,000	Owned	
Faribault, Minnesota	JOTS	191,000	Owned	
Fremont, Nebraska	Refrigerated Foods Grocery Products Specialty Foods International & Other	700,000	Owned	
Melrose, Minnesota	JOTS	133,000	Owned	
Willmar, Minnesota	JOTS	339,000	Owned	
<i>Processing Plants</i>				
Albert Lea, Minnesota	Refrigerated Foods	80,000	Owned	
Algona, Iowa	Refrigerated Foods	154,000	Owned	
Alma, Kansas	Refrigerated Foods	66,000	Owned	
Aurora, Illinois	Specialty Foods Grocery Products International & Other	147,000	Owned	
Beijing, China	International & Other	95,000	80% Owned	
Beloit, Wisconsin	Grocery Products Specialty Foods Grocery Products Specialty Foods	346,000 5,000	Owned Leased	Monthly
Browerville, Minnesota	Refrigerated Foods	108,000	Owned	
Dubuque, Iowa	Grocery Products	344,000	Owned	
Hayward, California	Refrigerated Foods	128,000	Leased	April 2021
Hayward, California	Refrigerated Foods	67,000	Leased	September 2032
Jiaxing, China	International & Other	1,256,000	Owned	
Knoxville, Iowa	Refrigerated Foods	131,000	Owned	
Lathrop, California	Refrigerated Foods	87,000	Owned	
Little Rock, Arkansas	Grocery Products	167,000	Owned	
Long Prairie, Minnesota	Refrigerated Foods	96,000	Owned	
McCook, Illinois	Refrigerated Foods	176,000	Owned	
Mendota Heights, Minnesota	Refrigerated Foods	76,000	Owned	
Montevideo, Minnesota	JOTS	89,000	Owned	
Nevada, Iowa	Refrigerated Foods	226,000	Owned	
Osceola, Iowa	Refrigerated Foods	376,000	Owned	
Pelican Rapids, Minnesota	JOTS	375,000	Owned	
Quakertown, Pennsylvania	Specialty Foods	13,000	Owned	
Rochelle, Illinois	Refrigerated Foods Grocery Products Specialty Foods	406,000	Owned	
Shanghai, China	International & Other	41,000	Leased	September 2018

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Item 2. PROPERTIES – Continued

<u>Location</u>	<u>Principal Segment</u> ⁽¹⁾	<u>Approximate Area</u> <u>(Square Feet,</u> <u>Unless Noted)</u>	<u>Owned or</u> <u>Leased</u>	<u>Lease</u> <u>Expiration Date</u>
<i>Processing Plants (continued)</i>				

Sparta, Wisconsin	Specialty Foods	385,000	Owned	
Tucker, Georgia	Grocery Products	259,000	Owned	
	Refrigerated Foods			
	Specialty Foods			
Vinhedo, Brazil	International & Other	422,000	Leased	Monthly
Weifang, China	International & Other	117,000	Owned	
Wichita, Kansas	Refrigerated Foods	89,000	Owned	
<i>Warehouse/Distribution Centers</i>				
Austin, Minnesota	Refrigerated Foods	72,000	Owned	
	Grocery Products			
Beijing, China	International & Other	24,000	Leased	June 2018
Dayton, Ohio	Refrigerated Foods	140,000	Owned	
	Grocery Products			
	Specialty Foods			
Eldridge, Iowa	Grocery Products	424,000	Leased	July 2019
	Specialty Foods			
Hayward, California	Refrigerated Foods	41,000	Leased	September 2032
Hayward, California	Refrigerated Foods	8,000	Leased	April 2021
Osceola, Iowa	Refrigerated Foods	233,000	Owned	
Sparta, Wisconsin	Specialty Foods	50,000	Leased	June 2019
Willmar, Minnesota	JOTS	123,000	Owned	
		5,000	Leased	November 2018
<i>Hog Production Facilities</i>				
Las Animas, Colorado	Refrigerated Foods	815,000	Owned	
<i>Hatcheries</i>				
Barron, Wisconsin	JOTS	29,000	Owned	
Detroit Lakes, Minnesota	JOTS	27,000	Owned	
Henning, Minnesota	JOTS	22,000	Owned	
<i>Feed Mills</i>				
Atwater, Minnesota	JOTS	19,000	Owned	
Barron, Wisconsin	JOTS	26,000	Owned	
Dawson, Minnesota	JOTS	37,000	Owned	
Faribault, Minnesota	JOTS	25,000	Owned	
Henning, Minnesota	JOTS	5,000	Owned	
Northfield, Minnesota	JOTS	17,000	Owned	
Perham, Minnesota	JOTS	26,000	Owned	
Swanville, Minnesota	JOTS	29,000	Owned	
<i>Turkey Farms</i>				
Minnesota and Wisconsin	JOTS	14,500 ⁽²⁾	Owned	
<i>Research and Development</i>				
Austin, Minnesota	All Segments	135,000	Owned	
Shanghai, China	International & Other	4,000	Leased	September 2018
Willmar, Minnesota	JOTS	10,000	Owned	

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Item 2. PROPERTIES – Continued

<u>Location</u>	<u>Principal Segment (1)</u>	<u>Approximate Area (Square Feet, Unless Noted)</u>	<u>Owned or Leased</u>	<u>Lease Expiration Date</u>
<i>Administrative Offices</i>				
Austin, Minnesota	All Segments	299,000	Owned	
Beijing, China	International & Other	4,000	Leased	June 2018
Boulder, Colorado	Grocery Products	6,000	Leased	August 2019
Bridgewater, New Jersey	Refrigerated Foods	29,000	Leased	January 2024
Gainesville, Georgia	Refrigerated Foods	5,000	Leased	November 2019
Hayward, California	Refrigerated Foods	17,000	Leased	September 2032
Hayward, California	Refrigerated Foods	12,000	Leased	April 2021
Las Animas, Colorado	Refrigerated Foods	2,000	Leased	July 2019

Moorabbin, Australia	International & Other	3,000	Leased	September 2018
Shanghai, China	International & Other	20,000	Leased	September 2018
Walnut Creek, California	Specialty Foods	22,000	Leased	April 2023
Willmar, Minnesota	JOTS	56,000	Owned	

(1) Many of the Company's properties are not exclusive to any one segment, and a few of the properties are utilized in all five segments. For locations that support multiple segments, but with a substantial percentage of activity attributable to certain segments, only the principal segments have been listed.

(2) Acres.

The Company believes its operating facilities are well maintained and suitable for current production volumes, and expansion plans are either completed or in process to accommodate all volumes anticipated in the foreseeable future.

Item 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings related to the on-going operation of its business, including claims both by and against the Company. At any time, such proceedings typically involve claims related to product liability, contract disputes, wage and hour laws, employment practices, or other actions brought by employees, consumers, competitors, or suppliers. Resolution of any currently known matters, either individually or in the aggregate, is not expected to have a material effect on the Company's financial condition, results of operations, or liquidity.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The high and low sales price of the Company's common stock and the dividends per share declared for each quarter of fiscal 2017 and fiscal 2016 are shown below (as adjusted for the two-for-one stock split distributed on February 9, 2016):

<u>2017</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
First Quarter	\$38.840	\$33.180	\$0.170
Second Quarter	37.960	33.970	0.170
Third Quarter	35.480	32.260	0.170
Fourth Quarter	34.530	29.750	0.170

<u>2016</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
First Quarter	\$40.390	\$32.920	\$0.145
Second Quarter	45.720	37.490	0.145
Third Quarter	40.535	33.700	0.145
Fourth Quarter	40.000	35.870	0.145

Additional information about dividends, principal market of trade, and number of stockholders on pages 68 and 69 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference. The Company's common stock has been listed on the New York Stock Exchange since January 16, 1990.

Issuer purchases of equity securities in the fourth quarter of fiscal year 2017 are shown below:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs¹</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs¹</u>
July 31, 2017 –				
September 3, 2017	-	\$ -	-	10,452,337
September 4, 2017 –				
October 1, 2017	-	-	-	10,452,337
October 2, 2017 –				
October 29, 2017	-	-	-	10,452,337
Total	-	\$ -	-	

¹On January 31, 2013, the Company announced its Board of Directors had authorized the repurchase of 10,000,000 shares of its common stock with no expiration date. The repurchase program was authorized at a meeting of the Company's Board of Directors on January 29, 2013. On November 23, 2015, the Board of Directors authorized a two-for-one split of the Company's common stock. As part of the

resolution to approve that stock split, the number of shares remaining to be repurchased was adjusted proportionately. The stock split was subsequently approved by stockholders at the Company's Annual Meeting on January 26, 2016, and effected January 27, 2016. All numbers in the table above reflect the impact of this stock split.

Item 6. SELECTED FINANCIAL DATA

Selected Financial Data for the five fiscal years ended October 29, 2017, on page 14 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information in the Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 15 through 35 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information on the Company's exposure to market risk included in the Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 34 and 35 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements, including unaudited quarterly data, on pages 39 through 67 and the Report of Independent Registered Public Accounting Firm on page 38 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report (the Evaluation Date), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). In designing and evaluating the disclosure controls and procedures, management recognized any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance the information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

- (a) The report entitled "Management's Report on Internal Control Over Financial Reporting" on page 36 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.
- (b) The report entitled "Report of Independent Registered Public Accounting Firm" on page 37 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017, is incorporated herein by reference.
- (c) During the fourth quarter of fiscal year 2017, there has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information under “Item 1 – Election of Directors” on pages 2 through 6, information under “Board Independence” on pages 8 and 9, and information under “Board of Director and Committee Meetings” on pages 9 and 10 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

Information concerning Executive Officers is set forth in Part I, Item 1(f) of this Annual Report on Form 10-K, pursuant to Instruction 3 to Paragraph (b) of Item 401 of Regulation S-K.

Information under “Section 16(a) Beneficial Ownership Reporting Compliance,” on page 43 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

The Company has adopted a Code of Ethical Business Conduct in compliance with applicable rules of the Securities and Exchange Commission that applies to its principal executive officer, its principal financial officer, and its principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethical Business Conduct is available on the Company’s Web site at www.hormelfoods.com, free of charge, under the caption, “Investors –Governance – Governance Documents.” The Company intends to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Ethical Business Conduct by posting such information on the Company’s Web site at the address and location specified above.

Item 11. EXECUTIVE COMPENSATION

Information commencing with “Executive Compensation” on page 16 through “Potential Payments Upon Termination at Fiscal 2017 Year End” on pages 31 and 32, and information under “Compensation of Directors” on pages 11 through 13 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information under “Equity Compensation Plan Information” on page 43, and information under “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management” on pages 14 through 16 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information under “Related Party Transactions” on page 43 and “Board Independence” on pages 8 and 9 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information under “Independent Registered Public Accounting Firm Fees” and “Audit Committee Preapproval Policies and Procedures” on page 14 of the definitive proxy statement for the Annual Meeting of Stockholders to be held January 30, 2018, is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The response to Item 15 is submitted as a separate section of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HORMEL FOODS CORPORATION

By: <u>/s/ JAMES P. SNEE</u>	<u>December 20, 2017</u>
JAMES P. SNEE, Chairman of the Board, President, Chief Executive Officer, and Director	Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name

Date

Title

<u>/s/ JAMES P. SNEE</u> JAMES P. SNEE	12/20/17	Chairman of the Board, President, Chief Executive Officer, and Director (Principal Executive Officer)
<u>/s/ JAMES N. SHEEHAN</u> JAMES N. SHEEHAN	12/20/17	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ JANA L. HAYNES</u> JANA L. HAYNES	12/20/17	Vice President and Controller (Principal Accounting Officer)
<u>/s/ GARY C. BHOJWANI*</u> GARY C. BHOJWANI	12/20/17	Director
<u>/s/ TERRELL K. CREWS*</u> TERRELL K. CREWS	12/20/17	Director
<u>/s/ GLENN S. FORBES*</u> GLENN S. FORBES	12/20/17	Director
<u>/s/ STEPHEN M. LACY*</u> STEPHEN M. LACY	12/20/17	Director
<u>/s/ JOHN L. MORRISON*</u> JOHN L. MORRISON	12/20/17	Director
<u>/s/ ELSA A. MURANO*</u> ELSA A. MURANO	12/20/17	Director
<u>/s/ ROBERT C. NAKASONE*</u> ROBERT C. NAKASONE	12/20/17	Director
<u>/s/ SUSAN K. NESTEGARD*</u> SUSAN K. NESTEGARD	12/20/17	Director
<u>/s/ DAKOTA A. PIPPINS*</u> DAKOTA A. PIPPINS	12/20/17	Director
<u>/s/ CHRISTOPHER J. POLICINSKI*</u> CHRISTOPHER J. POLICINSKI	12/20/17	Director
<u>/s/ SALLY J. SMITH*</u> SALLY J. SMITH	12/20/17	Director
<u>/s/ STEVEN A. WHITE*</u> STEVEN A. WHITE	12/20/17	Director
<u>*By: /s/ JANA L. HAYNES</u> JANA L. HAYNES <i>as Attorney-In-Fact</i>	12/20/17	

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ANNUAL REPORT ON FORM 10-K

ITEM 15

LIST OF FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULE

LIST OF EXHIBITS

FISCAL YEAR ENDED OCTOBER 29, 2017

HORMEL FOODS CORPORATION

Austin, Minnesota

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Item 15.

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

HORMEL FOODS CORPORATION

FINANCIAL STATEMENTS

The following consolidated financial statements of Hormel Foods Corporation included in the Annual Stockholders' Report for the fiscal year ended October 29, 2017, are incorporated herein by reference in Item 8 of Part II of this report:

Consolidated Statements of Financial Position—October 29, 2017, and October 30, 2016.

Consolidated Statements of Operations—Fiscal Years Ended October 29, 2017, October 30, 2016, and October 25, 2015.

Consolidated Statements of Comprehensive Income—Fiscal Years Ended October 29, 2017, October 30, 2016, and October 25, 2015.

Consolidated Statements of Changes in Shareholders' Investment—Fiscal Years Ended October 29, 2017, October 30, 2016, and October 25, 2015.

Consolidated Statements of Cash Flows—Fiscal Years Ended October 29, 2017, October 30, 2016, and October 25, 2015.

Notes to Consolidated Financial Statements—October 29, 2017.

Report of Independent Registered Public Accounting Firm

FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedule of Hormel Foods Corporation required pursuant to Item 15(c) is submitted herewith:

Schedule II – Valuation and Qualifying Accounts and Reserves...F-3

FINANCIAL STATEMENTS AND SCHEDULES OMITTED

All other financial statements and schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

HORMEL FOODS CORPORATION

(In Thousands)

Classification	Balance at Beginning of Period	Additions/(Benefits)		Deductions-Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts-Describe		
Valuation reserve deduction from assets account:					
Fiscal year ended October 29, 2017 Allowance for doubtful accounts receivable	\$ 4,045	\$ 561	\$ 261 (1)	\$ 677 (2) (56) (3)	\$ 4,246
Fiscal year ended October 30, 2016 Allowance for doubtful accounts receivable	\$ 4,086	\$ 611	\$ -	\$ 652 (2) - (3)	\$ 4,045
Fiscal year ended October 25, 2015 Allowance for doubtful accounts receivable	\$ 4,050	\$ (24)	\$ 36 (4)	\$ 52 (2) (77) (3)	\$ 4,086

Note (1) – Increase in the reserve due to the inclusion of Fontanini accounts receivable.

Note (2) – Uncollectible accounts written off.

Note (3) – Recoveries on accounts previously written off.

Note (4) – Increase in the reserve due to the inclusion of Applegate accounts receivable.

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**LIST OF EXHIBITS
HORMEL FOODS CORPORATION**

NUMBER	DESCRIPTION OF DOCUMENT
2.1 ⁽²⁾	Purchase Agreement by and among 1492 Acquisition LLC, Columbus Manufacturing, Inc., and Hormel Foods Corporation, dated October 30, 2017. Exhibits and schedules identified in the agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be furnished to the Securities and Exchange Commission upon request.
3.1 ⁽¹⁾	Restated Certificate of Incorporation as amended January 27, 2016. (Incorporated by reference to Exhibit 3.1 to Hormel's Report on Form 10-K dated December 21, 2016, File No. 001-02402.)
3.2 ⁽¹⁾	Bylaws as amended to date. (Incorporated by reference to Exhibit 3(ii) to Hormel's Report on Form 8-K dated September 26, 2016, File No. 001-02402.)
4.1 ⁽¹⁾	Indenture dated as of April 1, 2011, between the Company and U.S. Bank National Association. (Incorporated by reference to Exhibit 4.3 to Hormel's Registration Statement on Form S-3 filed on April 4, 2011, File No. 333-173284.)
4.2 ⁽¹⁾	Form of 4.125% Notes due 2021. (Incorporated by reference to Exhibit 4.1 to Hormel's Current Report on Form 8-K dated April 11, 2011, File No. 001-02402.)
4.3	Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of holders of certain long-term debt are not filed. Hormel agrees to furnish copies thereof to the Securities and Exchange Commission upon request.
10.1 ⁽¹⁾⁽³⁾	Hormel Foods Corporation Operators' Shares Incentive Compensation Plan. (Incorporated by reference to Appendix A to Hormel's definitive Proxy Statement filed on December 19, 2012, File No. 001-02402.)
10.2 ⁽¹⁾⁽³⁾	Hormel Foods Corporation Supplemental Executive Retirement Plan (2007 Restatement). (Incorporated by reference to Exhibit 10.2 to Hormel's Current Report on Form 8-K dated November 21, 2011, File No. 001-02402.)
10.3 ⁽¹⁾⁽³⁾	First Amendment of Hormel Foods Corporation Supplemental Executive Retirement Plan (2007 Restatement). (Incorporated by

[reference to Exhibit 10.3 to Hormel's Current Report on Form 8-K dated November 21, 2011, File No. 001-02402.\)](#)

- 10.4⁽¹⁾⁽³⁾ [Second Amendment of Hormel Foods Corporation Supplemental Executive Retirement Plan \(2007 Restatement\). \(Incorporated by reference to Exhibit 10.4 to Hormel's Current Report on Form 8-K dated November 21, 2011, File No. 001-02402.\)](#)
- 10.5⁽¹⁾⁽³⁾ [Third Amendment of Hormel Foods Corporation Supplemental Executive Retirement Plan \(2007 Restatement\). \(Incorporated by reference to Exhibit 10.5 to Hormel's Current Report on Form 8-K dated November 21, 2011, File No. 001-02402.\)](#)
- 10.6⁽¹⁾⁽³⁾ [Hormel Foods Corporation 2000 Stock Incentive Plan \(Amended 1-31-2006\). \(Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated January 31, 2006, File No. 001-02402.\)](#)
- 10.7⁽¹⁾⁽³⁾ [Hormel Foods Corporation Executive Deferred Income Plan II \(November 21, 2011 Restatement\). \(Incorporated by reference to Exhibit 10.1 to Hormel's Current Report on Form 8-K dated November 21, 2011, File No. 001-02402.\)](#)
- 10.8⁽¹⁾⁽³⁾ [Form of Indemnification Agreement for Directors and Officers. \(Incorporated by reference to Exhibit 10.1 to Hormel's Quarterly Report on Form 10-Q for the quarter ended April 29, 2012, File No. 001-02402.\)](#)
- 10.9⁽¹⁾⁽³⁾ [Hormel Foods Corporation Nonemployee Director Deferred Stock Plan \(Plan Adopted October 4, 1999; Amended and Restated Effective January 1, 2008\). \(Incorporated by reference to Exhibit 10.6 to Hormel's Annual Report on Form 10-K for the fiscal year ended October 26, 2008, File No. 001-02402.\)](#)

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**LIST OF EXHIBITS (CONTINUED)
HORMEL FOODS CORPORATION**

<u>NUMBER</u>	<u>DESCRIPTION OF DOCUMENT</u>
10.10 ⁽¹⁾⁽³⁾	Hormel Foods Corporation 2009 Nonemployee Director Deferred Stock Plan (Plan Adopted November 24, 2008). (Incorporated by reference to Exhibit 10.2 to Hormel's Quarterly Report on Form 10-Q for the quarter ended January 25, 2009, File No. 001-02402.)
10.11 ⁽¹⁾⁽³⁾	Hormel Foods Corporation 2009 Long-Term Incentive Plan. (Incorporated by reference to Appendix A to Hormel's definitive Proxy Statement filed on December 18, 2013, File No. 001-02402.)
10.12 ⁽¹⁾⁽³⁾	Hormel Survivor Income Plan for Executives (1993 Restatement). (Incorporated by reference to Exhibit 10.11 to Hormel's Annual Report on Form 10-K for the fiscal year ended October 29, 2006, File No. 001-02402.)
10.13 ⁽¹⁾	Underwriting Agreement, dated as of April 4, 2011, by and between the Company and J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner, & Smith Incorporated as representatives of the several underwriters named in Schedule 1 thereto. (Incorporated by reference to Exhibit 1.1 to Hormel's Current Report on Form 8-K dated April 11, 2011, File No. 001-02402.)
11.1 ⁽²⁾	Statement re: computation of per share earnings. (Included in Exhibit 13.1 filed with this Annual Report on Form 10-K for the fiscal year ended October 29, 2017.)
13.1 ⁽²⁾	Pages 14 through 70 of the Annual Stockholders' Report for the fiscal year ended October 29, 2017.
21.1 ⁽²⁾	Subsidiaries of the Registrant.
23.1 ⁽²⁾	Consent of Independent Registered Public Accounting Firm.
24.1 ⁽²⁾	Power of Attorney.
31.1 ⁽²⁾	Certification Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 ⁽²⁾	Certification Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 ⁽²⁾	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3 ⁽¹⁾	U.S. \$700,000,000 Amended and Restated Credit Agreement, dated as of June 24, 2015, between the Company, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders identified on the signature pages thereof. (Incorporated by reference to Exhibit 99 to Hormel's Current Report on Form 8-K dated June 24, 2015, File No. 001-02402.)
101.INS ⁽²⁾	XBRL Instance Document
101.SCH ⁽²⁾	XBRL Taxonomy Extension Schema Document
101.CAL ⁽²⁾	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ⁽²⁾	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB ⁽²⁾	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE ⁽²⁾	XBRL Taxonomy Extension Presentation Linkbase Document

-
- (1) Document has previously been filed with the Securities and Exchange Commission and is incorporated herein by reference.
(2) These exhibits transmitted via EDGAR.
(3) Management contract or compensatory plan or arrangement.

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Section 2: EX-2.1 (EX-2.1)

EXHIBIT 2.1

Execution Version

SECURITIES PURCHASE AGREEMENT

by and among

1492 ACQUISITION LLC,

COLUMBUS MANUFACTURING, INC.,

and

HORMEL FOODS CORPORATION

Dated as of October 30, 2017

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Exhibits and Schedules

EXHIBITS

Exhibit A	Definitions
Exhibit B	Accounting Principles
Exhibit C	R&W Insurance Policy
Exhibit D	Example Calculation of Net Working Capital
Exhibit E	Form of Escrow Agreement

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this “*Agreement*”) is dated as of October 30, 2017, and is entered into by and among Columbus Manufacturing, Inc., a Delaware corporation (the “*Company*”), 1492 Acquisition LLC, a Delaware

limited liability company (“**Seller**”), and Hormel Foods Corporation, a Delaware corporation (“**Buyer**”). The Company, Seller and Buyer are sometimes collectively referred to herein as the “**Parties**” and individually as a “**Party**.”

RECITALS

WHEREAS, Seller owns 100% of the issued and outstanding stock of the Company (the “**Equity Securities**”).

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of the Equity Securities for the consideration described herein.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby confirmed, and subject to the terms and conditions set forth herein, the Parties intending to be legally bound hereby agree as follows:

ARTICLE I DEFINITIONS

The terms defined in Exhibit A, whenever used herein, shall have the meanings set forth on Exhibit A for all purposes of this Agreement. The definitions on Exhibit A are incorporated into this Agreement as if fully set forth at length herein and all references to a section in such Exhibit A are references to such section of this Agreement.

ARTICLE II SALE AND PURCHASE

2.1 Purchase and Sale of Equity Securities; Purchase Price

(a) Closing Date Consideration. Subject to the terms and conditions of this Agreement, at Closing, Seller shall sell, transfer, assign, and convey the Equity Securities, free and clear of all Liens, to Buyer, and Buyer shall purchase and accept the Equity Securities from Seller. Buyer shall pay to Seller, in respect of the Equity Securities, the Closing Date Consideration. The “**Closing Date Consideration**” shall be equal to Eight Hundred and Fifty Million Dollars (\$850,000,000.00) (the “**Base Purchase Price**”), as increased or decreased as follows (and as further adjusted pursuant Section 2.3):

(i) Increases in the Closing Date Consideration. The Closing Date Consideration shall be increased by the following amounts:

(A) the Closing Cash Balance, if any; and

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(B) the Working Capital Overage, if any.

(ii) Decreases in the Closing Date Consideration. The Closing Date Consideration shall be decreased by the following amounts:

(A) the Working Capital Underage, if any;

(B) the aggregate amount of the Company Debt;

(C) the aggregate amount of the Selling Expenses; and

(D) the aggregate amount of the Closing Taxes Payable.

(b) Estimated Closing Date Statement. Not later than the third (3rd) Business Day prior to the Closing Date, the Company shall prepare and deliver, or cause to be prepared and delivered, to Buyer an estimated closing statement (the “**Estimated Closing Date Statement**”) setting forth an unaudited balance sheet of the Company as of the Effective Time (the “**Estimated Closing Balance Sheet**”) together with the Company’s good faith calculation of the Estimated Closing Date Consideration, and detailing each of the following: (i) the estimated Net Working Capital as of the Effective Time (the “**Estimated Closing Date Net Working Capital**”), (ii) the estimated Closing Cash Balance as of the Effective Time (the “**Estimated**”).

Closing Cash Balance”), (iii) the estimated Company Debt (the “**Estimated Company Debt**”), together with an itemization of each item of Company Debt, identification of each Person to whom Company Debt is owing and the amount of Company Debt owing to such Person, (iv) the estimated Selling Expenses (the “**Estimated Selling Expenses**”), together with an itemization of each Selling Expense, identification of each Person to whom such Selling Expense is owing, the amount of Selling Expense owing to such Person, and the wire transfer instructions of such Person to be used to pay such Selling Expense (if any Selling Expense is to be paid to an employee of the Company, the Estimated Closing Date Statement will identify the wire transfer instructions of the Company as the recipient of the amount of such Selling Expense, and such Selling Expense will be paid to the employee through normal payroll processes of the Company), and (v) the estimated Closing Taxes Payable (the “**Estimated Closing Taxes Payable**”). The Estimated Closing Balance Sheet, the Estimated Closing Date Net Working Capital, the Estimated Closing Cash Balance, the Estimated Company Debt, the Estimated Selling Expenses and the Estimated Closing Taxes Payable set forth in the Estimated Closing Date Statement will be prepared in accordance with the principles set forth on **Exhibit B** (the “**Accounting Principles**”). Additionally, not later than the third (3rd) Business Day prior to the Closing Date, the Company shall deliver, or cause to be delivered, to Buyer the Payoff Letters reflecting the Company Debt set forth on **Schedule 2.1(b)**.

(c) **Closing Date Net Working Capital Adjustment.** If the Estimated Closing Date Net Working Capital is less than the bottom of the Company Net Working Capital Range, then the Closing Date Consideration will be reduced by an amount equal to the absolute value of the difference between the midpoint of the Company Net Working Capital Range and the Estimated Closing Date Net Working Capital (such amount, if any, a “**Working Capital Underage**”). If the Estimated Closing Date Net Working Capital is greater than the top of the Company Net Working Capital Range, then the Closing Date Consideration will be increased by

an amount equal to the difference between the Estimated Closing Date Net Working Capital and the midpoint of the Company Net Working Capital Range (such amount, if any, a “**Working Capital Overage**”). If the Estimated Closing Date Net Working Capital is within the Company Net Working Capital Range, then the Closing Date Consideration will not be adjusted for any Working Capital Underage or Working Capital Overage pursuant to this **Section 2.1(c)**, but may be subject to adjustment for a Working Capital Underage or Working Capital Overage following the Closing as provided in **Section 2.3**.

2.2 Closing Payments. At the Closing, Buyer shall: (a) (i) on behalf of the Company, cause the Estimated Company Debt set forth in the Payoff Letters to be paid pursuant to the corresponding Payoff Letters, and (ii) on behalf of the Company, pay to each Person identified in the Estimated Closing Date Statement as being entitled to a Selling Expense, the Selling Expense amount set forth in the Estimated Closing Date Statement with respect to such Person, pursuant to the wire transfer instructions with respect to such Person set forth in the Estimated Closing Date Statement, (b) deposit with the Escrow Agent, pursuant to wire transfer instructions received by Buyer from the Escrow Agent no later than three (3) Business Days prior to Closing, (i) the Indemnity Escrow Amount to be deposited in an escrow account (the “**Indemnity Escrow Account**”), and (ii) the Adjustment Escrow Amount to be deposited in an escrow account (the “**Adjustment Escrow Account**”), and (c) pay to Seller (pursuant to Seller’s wire transfer instructions set forth in the Estimated Closing Date Statement) the Estimated Closing Date Consideration minus the Aggregate Escrow Amount (such amounts contemplated by (a), (b) and (c) above, collectively, the “**Settlement Amounts**”).

2.3 Post-Closing Purchase Price Adjustments.

(a) **Final Closing Date Statement.** Within seventy-five (75) days after the Closing Date, Buyer shall cause to be prepared and delivered to Seller an unaudited balance sheet of the Company as of the Effective Time (the “**Final Closing Balance Sheet**”), together with a statement (the “**Final Closing Date Statement**”), setting forth Buyer’s good faith calculation of the Closing Date Consideration, and detailing each of the following: (i) the Net Working Capital as of the Effective Time (the “**Final Closing Date Net Working Capital**”), (ii) the Closing Cash Balance as of the Effective Time (the “**Final Closing Cash Balance**”), (iii) the Company Debt (the “**Final Company Debt**”), (iv) the Selling Expenses (the “**Final Selling Expenses**”), and (v) the Closing Taxes Payable (the “**Final Closing Taxes Payable**”). The Final Closing Date Statement is to be prepared in accordance with the Accounting Principles. The Parties agree that the purpose of preparing the Final Closing Date Statement and determining the Final Closing Date Net Working Capital, Final Closing Cash Balance, Final Company Debt, Final Selling Expenses and Final Closing Taxes Payable and the related purchase price adjustment contemplated by this **Section 2.3** is to measure the amount of change between (i) the Estimated Closing Date Net Working Capital and the Final Closing Date Net Working Capital, (ii) the Estimated Closing Cash Balance and the Final Closing Cash Balance, (iii) the Estimated Company Debt and the Final Company Debt, (iv) the Estimated Selling Expenses and the Final Selling Expenses, and (v) the Estimated Closing Taxes Payable

and the Final Closing Taxes Payable and such processes are not intended to permit the introduction of different judgments, accounting methods, policies, principles, practices, procedures, classifications or estimation methodologies for the purpose of preparing the Final Closing Date Statement or determining the Final Closing Date Net Working Capital, Final Closing Cash Balance, Final Company Debt, the

Final Selling Expenses, and the Final Closing Taxes Payable except, in each case, to the extent such an introduction is necessary to comply with the Accounting Principles.

(b) Dispute. Within thirty (30) days following receipt by Seller of the Final Closing Balance Sheet and the Final Closing Date Statement (the “**Dispute Period**”), Seller shall deliver written notice (a “**Dispute Notice**”) to Buyer of any disagreement Seller has with respect to the preparation or content of the Final Closing Balance Sheet or the Final Closing Date Statement. Such Dispute Notice must describe in reasonable detail the items contained in the Final Closing Balance Sheet or Final Closing Date Statement with which Seller disagrees and, to the extent available, the basis for any such disagreement. If Seller does not provide Buyer with a Dispute Notice within the Dispute Period, the Final Closing Balance Sheet and Final Closing Date Statement delivered by the Buyer pursuant to **Section 2.3(a)** will be final, conclusive and binding on the Parties. Any item in, or omitted from, the Final Closing Date Statement that Seller does not disagree with in the Dispute Notice shall be final, binding, and conclusive for all purposes hereunder in the manner stated in, or omitted from, the Final Closing Date Statement. In the event Seller provides Buyer with a Dispute Notice, Buyer and Seller shall negotiate in good faith to resolve all disagreements related thereto. If Buyer and Seller, notwithstanding such good faith effort, fail to resolve any of the disagreements contained in the Dispute Notice within thirty (30) days after Seller provides Buyer with such Dispute Notice (which thirty (30)-day period may be extended by written agreement of Buyer and Seller), then Buyer and Seller jointly shall engage the accounting firm of Grant Thornton LLP or such other nationally recognized accounting firm as may be mutually acceptable to Buyer and Seller (the “**Accounting Firm**”) to resolve any such disagreement(s).

(c) Method of Dispute Resolution. Seller and Buyer will enter into a customary engagement agreement with the Accounting Firm and agree to cooperate in good faith with the Accounting Firm during the term of its engagement. Seller and Buyer shall jointly instruct the Accounting Firm that it: (i) shall review only the unresolved disputed items contained in the Dispute Notice; (ii) shall make its determination based solely upon the written submissions of Seller and Buyer (i.e., not by independent review), and the terms and conditions of this Agreement, including the definitions set forth herein; (iii) shall render its decision within thirty (30) days after the tender of the written submissions of Seller and Buyer (described in further detail below) to the Accounting Firm for a decision pursuant hereto; and (iv) shall not assign a value to any item greater than the greatest value for such item claimed by either Party or less than the smallest value for such item claimed by either Party. As promptly as practicable following the Accounting Firm’s engagement (the timeline for which shall be agreed to by Buyer and Seller or, if Buyer and Seller cannot reach agreement on such timeline, set by the Accounting Firm), Buyer and Seller shall each prepare and submit simultaneously a written presentation to the Accounting Firm. Following the delivery of the written presentations, Buyer and Seller may each submit a response to the other Party’s presentation (again, on a timeline to be agreed to by Buyer and Seller or, if Buyer and Seller cannot reach agreement on such timeline, set by the Accounting Firm). Neither Buyer nor Seller may take a position in any written presentation or response that is more adverse to the other Party than the position taken in the Final Closing Date Statement (with respect to Buyer) or the Dispute Notice (with respect to Seller). As soon as practicable thereafter, the Accounting Firm shall choose one of the Parties’ positions for each disputed item based solely on their respective presentations. Neither Seller nor Buyer (and none of their respective representatives) shall have any ex parte conversation(s) or

meeting(s) with the Accounting Firm without the prior consent of (x) with respect to Seller, Buyer and (y) with respect to Buyer, Seller. The fees, costs and expenses of the Accounting Firm shall be allocated to and borne by Buyer, on the one hand, and Seller, on the other hand, based on the inverse of the percentage that the Accounting Firm’s determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Accounting Firm. For example, should the items in dispute total in amount to \$1,000 and the Accounting Firm award \$600 in favor of Buyer’s position, 60% of the costs of its review would be borne by Seller and 40% of the costs would be borne by Buyer. All determinations made by the Accounting Firm shall be final, conclusive and binding on the Parties. Judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the Party against which such determination is to be enforced.

(d) Access. For purposes of complying with the terms set forth in this **Section 2.3**, each Party shall promptly and reasonably cooperate with and make reasonably available to the other Parties and their respective representatives all information, records, data and working papers, including reasonable access to its applicable accounting and finance personnel during normal business hours, as may be reasonably requested in connection with the preparation and analysis of the Estimated Closing Date Statement and the Final Closing Date Statement and the resolution of any disagreement related thereto (except that no Party will be required to make available or give access to or otherwise disclose any information if such access or disclosure would jeopardize any attorney-client or other privilege or contravene any applicable Law). The written submissions described in **Section 2.3(c)** may not be required to be submitted to the Accounting Firm until such reasonable cooperation and reasonable access to information and applicable personnel have been granted.

(e) Post-Closing Adjustment. Not later than the third (3rd) Business Day after the date on which all of the items on the Final Closing Balance Sheet and the Final Closing Date Statement are finally determined pursuant to this **Section 2.3**, Seller and Buyer shall jointly determine the amount by which the Estimated Closing Date Consideration would have been adjusted pursuant to **Section 2.1** had the Final Closing Date Net Working Capital, the Final Closing Cash Balance, the Final Company Debt, the Final Selling Expenses, and the Final Closing Taxes Payable, in each case, as finally determined pursuant to this **Section 2.3**, been substituted for the Estimated Closing Date Net Working Capital, the Estimated Closing Cash Balance, the Estimated Company Debt, the Estimated Selling Expenses, and the Estimated Closing Taxes Payable respectively, as of the Closing.

(i) If such substitution would have resulted in a Closing Date Consideration that is greater than the Estimated Closing Date Consideration (any such excess, the “**Price Increase**”), then Buyer shall pay or cause to be paid to Seller, within three (3) Business Days from the date on which the Final Closing Date Statement is finally determined pursuant to this **Section 2.3**, by wire transfer of immediately available funds pursuant to Seller’s wire transfer instructions set forth in the Estimated Closing Date Statement, an aggregate amount in cash equal to the Price Increase and Buyer and Seller shall execute joint written instructions directing the Escrow Agent to release to Seller all funds in the Adjustment Escrow Account.

(ii) If such substitution would have resulted in a Closing Date Consideration that is less than the Estimated Closing Date Consideration (the absolute value of such deficit, the

“**Price Decrease**”), then Buyer and Seller shall execute joint written instructions directing the Escrow Agent to, (x) if the Price Decrease is less than funds held in the Adjustment Escrow Account, release to Buyer the amount of the Price Decrease from the Adjustment Escrow Account and release the amounts remaining in the Adjustment Escrow Account to Seller, or (y) if the Price Decrease is greater than the funds in the Adjustment Escrow Account, release to Buyer all amounts in the Adjustment Escrow Account and funds from the Indemnity Escrow Account equal to the remaining balance of the Price Decrease. Such joint written instructions shall be executed and delivered within three (3) Business Days from the date on which the Final Closing Date Statement is finally determined pursuant to this **Section 2.3**.

(iii) If such substitution would have resulted in a Closing Date Consideration equal to the Estimated Closing Date Consideration, then no adjustment shall be made to the consideration payable hereunder pursuant to this **Section 2.3** and Buyer and Seller shall execute joint written instructions directing the Escrow Agent to release to Seller all funds in the Adjustment Escrow Account.

2.4 Withholding. Seller, Buyer, and the Company (as appropriate) shall be entitled to deduct and withhold from amounts otherwise payable pursuant to this Agreement to any Person such amounts as are required by applicable Tax Law to be deducted and withheld with respect to the making of such payment under the Code, or any provision of state, local or foreign Tax Law. If any amounts are to be withheld pursuant to the preceding sentence (other than in connection with compensatory payments), Buyer or the Company (as appropriate) shall provide any such person with adequate notice of and justification for such deduction and withholding; provided, however, that in no event will such obligation prevent Buyer or the Company from making a timely payment of such deducted or withheld amounts to the relevant Governmental Authority. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made.

3.1 Closing. The closing and consummation of the transactions contemplated hereby (the “**Closing**”) shall take place remotely via electronic transmission of documentation (such as by use of .pdf), on the first Monday that is a Business Day after the second (2nd) Business Day following the satisfaction or waiver by the Party entitled to the benefit of such condition of each of the conditions set forth in **Article VIII** (other than those conditions that by their terms or nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing), or on such other date or at such other time and place or by any such other method as the Parties mutually agree in writing; provided, for accounting purposes, the Closing shall be deemed to have occurred as of 12:01 a.m. local time on the Closing Date (except as contemplated by the definitions of Selling Expenses and Company Debt) (such time, the “**Effective Time**”). The date on which the Closing occurs is herein referred to as the “**Closing Date**.” All proceedings to be taken and all documents to be executed and delivered by all the Parties at the Closing shall be deemed to have been taken and executed simultaneously and no proceedings shall be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered.

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3.2 Deliveries by the Company.

At the Closing, the Company shall deliver or cause to be delivered to Buyer the following items:

(a) the certificate for the Equity Securities duly endorsed or accompanied by a duly executed instrument of assignment thereof in a form reasonably acceptable to Buyer;

(b) a certificate (the “**Company Secretary Certificate**”) dated as of the Closing Date, duly executed by the Secretary of the Company, given by him or her on behalf of the Company and not in his or her individual capacity, certifying as to: (i) an attached copy of the resolutions of the Governing Body of the Company authorizing and approving the execution, delivery and performance of, and the consummation of the transactions contemplated by, this Agreement, and stating that such resolutions have not been amended, modified, revoked or rescinded; and (ii) true and complete copies of the Organizational Documents of the Company;

(c) a certificate of the Delaware Secretary of State as to the good standing of the Company in such jurisdiction as of a reasonably recent date;

(d) a certificate of an executive officer of the Company, dated as of the Closing Date, and duly executed by him or her on behalf of the Company and not in his or her individual capacity, certifying that the conditions set forth in **Sections 8.3(a), 8.3(b), and 8.3(c)** have been satisfied (the “**Company Closing Certificate**”);

(e) copies of the minute books and stock or equity record books, as applicable, of the Company to the extent not in the possession of the Company;

(f) the Consents set forth on **Schedule 3.2(f)**;

(g) a statement duly executed by Seller conforming to the requirements of Treasury Regulation Section 1.1445-2(b) stating that no withholding on amounts payable under this Agreement is required pursuant to Section 1445 of the Code and the Treasury Regulations thereunder (the “**FIRPTA Affidavit**”);

(h) evidence, in form and substance reasonably satisfactory to Buyer, of the termination of the Contracts set forth on **Schedule 3.2(h)**, without further obligations or liabilities of the Company, effective as of the Closing;

(i) the Escrow Agreement, duly executed by Seller; and

(j) the written resignations, in form and substance reasonably satisfactory to Buyer, of each of the officers and directors of the Company, except as requested otherwise by Buyer in writing not less than five (5) Business Days prior to the Closing Date.

3.3 Deliveries by Buyer. At the Closing, Buyer shall deliver or cause to be delivered the following items:

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(a) to the Persons entitled thereto, by wire transfer of immediately available funds to the account designated in the Estimated Closing Date Statement, such recipient's portion of the Settlement Amounts pursuant to **Section 2.2**;

(b) to Seller, a certificate of an executive officer of Buyer, dated as of the Closing Date and given by him or her on behalf of Buyer and not in his or her individual capacity, certifying that the conditions set forth in **Sections 8.2(a)** and **8.2(b)** have been satisfied (the "**Buyer Closing Certificate**");

(c) to Seller, evidence reasonably satisfactory to Seller of the continuation of the insurance coverage required to be maintained by the Company after the Closing Date, or (as applicable) of the extended reporting period endorsement, pursuant to **Section 7.5(b)**;

(d) the Escrow Agreement, duly executed by the Escrow Agent and Buyer; and

(e) to Seller, evidence reasonably satisfactory to Seller that Buyer has entered into a binding agreement to obtain the R&W Insurance Policy.

ARTICLE IV **REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as set forth in the Schedules referenced in this **Article IV** (collectively, the "**Company Disclosure Schedules**"), which shall qualify the corresponding representations and warranties of the Company set forth in this **Article IV**, the Company represents and warrants to and for the benefit of Buyer that the following statements are true:

4.1 Organization and Standing. The Company is a corporation and is duly organized, validly existing and in good standing under the laws of Delaware. The Company is duly qualified to do business, and in good standing, in each jurisdiction in which the character of the properties owned or leased by it or in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have a Material Adverse Effect. The Company has full corporate power and authority to own and lease its properties and assets and conduct its business. The Company has made available to Buyer a true, correct and complete copy of the Organizational Documents of the Company. The Company has made available to Buyer a complete list the officers and directors of the Company.

4.2 Capitalization. Seller holds, beneficially and of record, one hundred percent (100%) of the outstanding Equity Securities free and clear of all Liens, and such Equity Securities (i) are duly authorized, validly issued, fully paid and nonassessable, (ii) represent the only issued and outstanding Equity Interests of the Company, (iii) have not been issued, sold, transferred or otherwise acquired in violation of any option, right of first refusal or first offer, subscription right, preemptive right or any similar right or transfer restriction, and (vi) consist of 100 shares of common stock having par value of \$0.001 per share, which shares are represented by certificate number two. There are no: (i) outstanding securities convertible or exchangeable into Equity Interests of the Company; (ii) options, warrants, calls, subscriptions, phantom equity rights, stock appreciation rights, profit participation rights (or other similar rights), conversion rights, exchange rights, preemptive rights, rights of first refusal or first offer, or other rights,

agreements or commitments obligating the Company to issue, transfer or sell any Equity Interests; or (iii) voting trusts, proxies, stockholder agreements or other agreements or understandings to which the Company or Seller is a party or by which the Company is bound with respect to the voting, transfer or other disposition of the Company's Equity Interests. The Company does not have any liability or obligation to pay any dividend or other distribution in respect of any of the Company's Equity Interests. The Company's only authorized Equity Interests are 1,000 shares of common stock having par value of \$0.001 per share.

4.3 Subsidiaries. The Company does not own or control, directly or indirectly, any Equity Interests of any Person.

4.4 Authority, Validity and Effect; No Conflict; Required Filings and Consents.

(a) The Company has all corporate power and authority to enter into and perform its obligations under this Agreement and the other agreements, documents, instruments and certificates contemplated hereby to which it is a party (the "**Company Documents**") and to consummate the transactions contemplated hereby and thereby, and this Agreement and the Company Documents have been, or (as applicable) will be as of the Closing, duly and validly executed and delivered by the Company pursuant to all necessary corporate authorizations and are the legal, valid and binding obligations of the Company,

enforceable against the Company in accordance with their respective terms, except as limited by (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting the enforcement of creditors' rights generally from time to time in effect, and (b) the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at Law or in equity) (collectively (a) and (b) together, the "**General Enforceability Exceptions**").

(b) Neither the execution, delivery or performance of this Agreement or the Company Documents by the Company, nor the consummation by the Company of the transactions contemplated hereby or thereby, nor compliance by the Company with any of the provisions hereof or thereof, will (i) conflict with or result in a breach of any provisions of any Organizational Document of the Company, (ii) except as set forth on **Schedule 4.4(b)**, constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation, modification, amendment or acceleration with respect to, or material loss of benefit under (in each case, with or without notice or lapse of time or both), any Material Contract, Lease or material Permit, or result in the creation or imposition of a Lien upon the Equity Securities or any property or assets of the Company, or (iii) subject to receipt of the requisite approvals referred to on **Schedule 4.4(c)** and the expiration or termination of the waiting period under the HSR Act, violate any Order or Law applicable to the Company or any of its properties or assets.

(c) Other than as set forth on **Schedule 4.4(c)** and any filings as may be required under the HSR Act, no Consent is required to be obtained by the Company in connection with the execution, delivery or performance of or the consummation by the Company of the transactions contemplated by this Agreement and the Company Documents, other than any Consent which, if not obtained, would not be material to the Company or would not reasonably be expected to prevent, materially delay or materially impede the ability of the Company to

perform its obligations under this Agreement and the Company Documents or to consummate the transactions contemplated hereby or thereby.

4.5 Financial Statements.

(a) Copies of the following financial statements have been delivered to Buyer or have been made available to Buyer for its review: (i) the audited balance sheet of the Company as of December 31, 2015 and December 31, 2016 and the related audited statements of income, stockholder's equity, and cash flows for the fiscal years then ended, together with the notes and reports related thereto (the "**Financial Statements**"), and (ii) the unaudited balance sheet of the Company as of August 31, 2017 (the "**Balance Sheet Date**"), and the related unaudited statements of income, stockholder's equity, and cash flows for the 8-month period then ended (the "**Interim Financial Statements**" and together with the Financial Statements, the "**Company Financial Statements**").

(b) The Company Financial Statements were prepared in accordance with (i) GAAP (except, with respect to the Interim Financial Statements, for the absence of footnote disclosure and immaterial customary year-end adjustments) applied on a consistent basis throughout the periods covered thereby, and (ii) the books of account and financial records of the Company, and are consistent therewith (which books and records are complete and correct in all material respects). The Company Financial Statements fairly present in all material respects the financial position, results of operations, stockholder's equity and cash flows of the Company as of the respective dates and for the periods indicated therein.

4.6 Taxes. Except as set forth on **Schedule 4.6:**

(a) The Company has timely filed (taking into account available extensions) all Tax Returns that are required to be filed by it and paid all Taxes (whether or not shown on any Tax Returns) which are due and payable. All such Tax Returns are true, correct and complete in all material respects.

(b) The Company has complied in all material respects with all applicable Laws, rules and regulations relating to the payment and withholding of Taxes and has, within the time and in the manner prescribed by Law, withheld and paid over to the proper Taxing Authorities all amounts required to be so withheld and paid over in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, under applicable Laws.

(c) The Company has not agreed to any extension or waiver of the statute of limitations applicable to any Tax Return or Taxes, or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving

effect to such extension or waiver) has not yet expired.

(d) The Company has never been a member of any Affiliated Group or has been included or required to be included in any Tax Return related to any such Affiliated Group (other than an Affiliated Group the common parent of which was the Company). Other than liabilities for Taxes as a result of being a member of an Affiliated Group the common parent of which was the Company, the Company is not liable for the Taxes of another Person (i) under

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Treasury Regulations Section 1.1502-6 (or comparable provisions of state, local or foreign Law) or (ii) as a transferee or successor or by contract (other than commercial contracts with a primary purpose unrelated to Tax). The Company is not a party to or bound by any Tax sharing or Tax allocation agreement.

(e) There are no Liens for unpaid Taxes on the assets of the Company other than for Taxes that are not yet due and payable.

(f) There are no Actions currently pending or, to the Company's Knowledge, being conducted with respect to the Company in respect of any Tax. The Company has not received from any Taxing Authority any written (i) request for information related to Tax matters or (ii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any Taxing Authority against the Company.

(g) No claim has ever been made or threatened in writing by a Taxing Authority in a jurisdiction where the Company has not filed Tax Returns asserting that the Company is or may be subject to Taxes imposed by that jurisdiction, nor to the Company's Knowledge, is there any factual basis for any such claim.

(h) The Company is not, nor has it been, a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(i) The Company has not executed or entered into with, or received from any Taxing Authority (i) any closing agreement pursuant to Section 7121 of the Code, or any predecessor provision thereof or any similar state, local, or foreign law that relates to the assets or operations of the Company or (ii) any private letter ruling or private letter ruling request.

(j) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period ending after the Closing Date as a result of any (i) change in accounting method for any taxable period ending on or before the Closing Date under Section 481 of the Code (or any similar state, local, or foreign Tax Legal Requirement), (ii) written agreement with a Taxing Authority with regard to any Tax liability for any period ending on or before the Closing Date, (iii) installment sale or open transaction disposition made prior to the Closing on the Closing Date, (iv) prepaid amount received on or prior to the Closing Date, or (v) election pursuant to Code Section 108(i).

(k) The Company is not a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of shares described in Section 355 (i) of the Code in the two (2) years prior to the date of this Agreement or (ii) in a distribution that could otherwise be reasonably expected to constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code).

(l) The Company is not resident nor does it have a permanent establishment (within the meaning of an applicable Tax treaty) or an office or fixed place of business in a country other than the one in which it is organized.

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4.7 Title to Personal Property. The Company has (in the case of personal property owned or purported to be owned by the Company) good title to, or (in the case of personal property leased or purported to be leased by the Company) a valid leasehold interest in all of the tangible assets reflected in the Interim Financial Statements or thereafter acquired by the Company, free and clear of all Liens except for Permitted Liens, excluding inventory sold or disposed of by the Company in the Ordinary Course of Business since the Balance Sheet Date. The Company's material tangible assets or properties are in good operating condition (normal wear and tear excepted) and are fit, in all material respects, for use in the Ordinary Course of Business. The Company owns, or has a valid leasehold or license interest in, all material properties and assets necessary for the conduct of its

business as presently conducted, and such properties and assets constitute all of the properties and assets necessary for continued conduct of its business after Closing in the same manner as presently conducted.

4.8 Real Property.

(a) **Schedule 4.8(a)(i)** sets forth a complete list of the Leased Real Property and the Company's interest therein, including a true and complete list of all Leases for each parcel of Leased Real Property. The Company does not own any real property. **Schedule 4.8(a)(ii)** sets forth a complete list of each purchase option, right of first refusal, right of first offer or other similar right held by the Company with respect to any real property. The Leased Real Property listed on **Schedule 4.8(a)(i)** comprises all real property interests used in the conduct of the business and operations of the Company as now conducted (other than any Contracts with any vendor that is a co-packer). With respect to each of the Leases the Company has not subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion thereof except as set forth on **Schedule 4.8(a)(i)**. The Company has delivered to Buyer a true and complete copy of each Lease and, to the extent in the Company's possession, copies of all extension notices, written notices of default, estoppel certificates and subordination, non-disturbance and attornment agreements delivered pursuant to each Lease.

(b) There are no development agreements or other Contracts that limit the ability of the Company to protest real property taxes or assessments, establish minimum real estate taxes, or require the Company to continue business operations at any parcel of Leased Real Property.

(c) None of the Leased Real Property rely on any facilities (other than the facilities of the public utility and community water and sewer companies) not located on the applicable Leased Real Property to fulfill any zoning, building code or other legal requirement. To the Company's Knowledge, there is no material defect in any of the structural components of any improvement on any or Leased Real Property or its electrical, plumbing, HVAC, life safety or other building systems.

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(d) The Company has a valid leasehold interest under each of the Leases, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). The Company is not in default under any Lease and to the Company's Knowledge, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto. The Company has good title to the leasehold estate and other rights of the tenant in respect of the property affected by any Lease, free and clear of all Liens of any nature whatsoever except (A) Permitted Liens, and (B) Liens and other encumbrances on the fee title, the payment or performance of which are not the responsibility of the Company as tenant under the applicable Lease.

(e) There are no pending or, to the Company's Knowledge, threatened or contemplated condemnation or other eminent domain actions or proceedings affecting the Leased Real Property or any part thereof, or any sale or other disposition of the Leased Real Property or any part thereof in lieu of condemnation. No portion of the Leased Real Property has suffered any material damage by fire or other casualty which has not heretofore been completely repaired and restored.

4.9 Compliance with Laws. Except as set forth on **Schedule 4.9:**

(a) The Company is, and since the Lookback Date, has been, in compliance in all material respects with all Laws and Orders applicable to it or its business.

(b) The Company has not received a written notification (or, to the Company's Knowledge, oral notification), from any Governmental Authority since the Lookback Date asserting that the Company is not in material compliance with any Law or Order.

(c) The Company is, and since the Lookback Date has been, in compliance with the United States Foreign Corrupt Practices Act of 1977 and any other anti-corruption or anti-bribery Laws of any jurisdiction where the Company does business. Since the Lookback Date, the Company has at all times complied with all Laws relating to export control and trade sanctions or embargoes or that are otherwise applicable to the Company.

4.10 Permits. The Company possesses, and is in compliance in all material respects with all terms and conditions of, all licenses, approvals, permits, variances, exemptions, certifications, orders, consents, and authorizations of any Governmental

Authority necessary to operate its business as currently conducted (collectively “*Permits*”). The Company is not in default or violation under any of the Permits, and, to the Company’s Knowledge, no event, circumstances or state of facts has occurred which, with notice or the lapse of time or both, would constitute a default of violation under any of the Permits. There are no Actions pending or, to the Company’s Knowledge, threatened relating to the suspension, revocation, modification or termination of any of the Permits.

4.11 Employee Benefit Plans.

(a) **Schedule 4.11(a)** sets forth a complete list of (i) all “employee benefit plans,” as defined in Section 3(3) of ERISA and (ii) all other severance pay, salary continuation,

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bonus, incentive, stock option, stock purchase, equity incentive, retirement, pension, profit sharing, welfare, fringe benefit, retention, change of control, employment (other than offer letters for “at-will” employment that do not provide severance or other terms that would be considered an Employee Plan under this section) or deferred compensation and any other benefit or compensation plans, Contracts, programs, funds, or arrangements of any kind to which the Company or any ERISA Affiliate makes or is required to make payments, transfers, or contributions or under or with respect to which the Company or any ERISA Affiliate has any current or contingent liability or obligation (all of the above being hereinafter individually or collectively referred to as “*Employee Plan*” or “*Employee Plans*,” respectively).

(b) Copies of the following materials have been delivered or made available to Buyer: (i) all current plan documents for each Employee Plan or, in the case of an unwritten Employee Plan, a written description thereof, (ii) all opinion, advisory or determination letters from the Internal Revenue Service (the “*IRS*”) with respect to any of the Employee Plans, (iii) all current summary plan descriptions, summaries of material modifications, annual reports, and summary annual reports with respect to any of the Employee Plans, and (iv) all insurance policies, trust agreements, or other funding arrangements.

(c) Each Employee Plan has been maintained, funded, operated, and administered in all material respects in compliance with its terms and any related documents or agreements and with all applicable Laws.

(d) Each Employee Plan intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified (or is entitled to rely on a favorable opinion letter issued by the IRS), and each trust created thereunder has been determined by the IRS to be exempt from tax under the provisions of Section 501(a) of the Code and no circumstances have occurred since the date of such letter that would reasonably be expected to result in the loss of the tax-qualified status of such plan or trust.

(e) Neither the Company nor any ERISA Affiliate has engaged in or knowingly permitted to occur and, to the Company’s Knowledge, no other party has engaged in or permitted to occur, any transaction prohibited by Section 406 of ERISA or any “prohibited transaction” under Section 4975(c) of the Code that is not otherwise exempt under Section 408 of ERISA or a breach of fiduciary duty (as determined under ERISA) with respect to any Employee Plan that could result in any material liability, penalty or Tax under ERISA or the Code being imposed on the Company. There are no facts or circumstances that would reasonably be expected to subject the Company to any (i) Tax or other liability under Chapters 43, 46 or 47 of Subtitle D of the Code, (ii) penalty, Tax or liability under Chapter 68 of Subtitle F of the Code or (iii) civil penalty, damages or other liability arising under Section 502 of ERISA.

(f) Except as set forth on **Schedule 4.11(f)**, neither the Company nor any ERISA Affiliate currently has, or within the last six years had, an obligation to contribute to (i) a “defined benefit plan” as defined in Section 3(35) of ERISA, (ii) a pension plan that is or was subject to the funding standards of Section 302 of ERISA or Section 412 of the Code, (iii) a “multiemployer plan” as defined in Section 3(37) of ERISA or Section 414(f) of the Code, (iv) a

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“multiple employer plan” as defined in Section 413(c) of the Code or section 4063 of ERISA or (v) a “multiple employer welfare arrangement” as defined in Section 3(40) of ERISA.

(g) There is no pending or, to the Company’s Knowledge, threatened, assessment, complaint, Action,

proceeding, or investigation of any kind with respect to any Employee Plan (other than routine claims for benefits).

(h) With respect to each group health plan benefiting any current or former employee of the Company (or a dependent of such individual) that is subject to Section 4980B of the Code, the Company has complied in all material respects with the continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA and any similar state Law (“**COBRA**”).

(i) Except as set forth on **Schedule 4.11(i)**, the Company has no obligations to provide health or welfare benefits, including death or medical benefits, beyond termination of service or retirement other than coverage mandated by COBRA for which the recipient pays the entire premium cost.

(j) Except as set forth on **Schedule 4.11(j)**, no amount that could be received (whether in cash or property or the vesting of property) as a result of any of the transactions contemplated by this Agreement by any employee, officer or director of the Company or any of its respective Affiliates who is a “disqualified individual” (as such term is defined in Treasury Regulation Section 1.280G-1) under any employment, severance or termination agreement, other compensation arrangement or Employee Plan currently in effect would be characterized as an “excess parachute payment” (as such term is defined in Section 280G(b)(1) of the Code).

(k) Except as set forth on **Schedule 4.11(k)**, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein (either alone or upon the occurrence of any additional or subsequent event), will cause any (i) payments to become due or payable to any employee, former employee, director or officer or (ii) payment, acceleration, vesting or increase in benefits to any employee, former employee, director or officer.

4.12 Material Contracts.

(a) Set forth on **Schedule 4.12(a)** is a list of the following Contracts to which the Company is a party, by which it or its assets bound, or pursuant to which it receives any material benefit or incurs any obligation or liability (the Contracts required to be set forth on **Schedule 4.12(a)**, collectively, the “**Material Contracts**”):

(i) each Contract (A) limiting the right of the Company to (x) engage in or compete with any Person in any business or in any geographical area or (y) solicit or hire any Person or customers, (B) containing exclusivity, requirements, “take or pay,” or minimum or maximum purchase or price obligations, or similar provisions, or (C) containing any “most favored nation” or similar pricing provision;

(ii) each collective bargaining Contract or other Contract with any labor union, organization or association;

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(iii) each license of Intellectual Property except for (A) licenses implied by the sale of goods; or (B) shrink-wrap, click-wrap software licenses, end-user licenses and licenses to software generally commercially available;

(iv) each Contract relating to the creation, incurrence, assumption or guarantee of any indebtedness or Company Debt, or imposing a Lien on any of the assets of the Company;

(v) each Contract providing for deferred compensation, severance, retention, change in control or other similar payments or benefits, or providing any loan to any current or former officer, director, or employee of the Company;

(vi) each Contract pertaining to employment arrangements with any current or former officer, director, or employee of the Company that provides for annual compensation in excess of \$150,000;

(vii) each Contract with Seller or any Affiliate of Seller;

(viii) each Contract relating to the acquisition (by merger, purchase of equity or assets or otherwise) by the Company of any operating business (or portion thereof) or the capital stock or other equity interests of any other Person (i) entered into since the Lookback Date or (ii) containing any outstanding “earn-out” or other obligations;

(ix) each Contract relating to the disposition (by merger, purchase of equity or assets or otherwise) by the Company of any operating business (or portion thereof) or any of its Equity Interests;

- (x) each Contract with a Significant Vendor or Significant Customer;
- (xi) each Contract with any Governmental Authority;
- (xii) each Contract that is a settlement, conciliation or similar agreement that imposes any obligations upon the Company after the date of this Agreement;
- (xiii) each Contract (or group of related Contracts) requiring any capital commitment or capital expenditure (or series of capital expenditures) by the Company after the date hereof in an amount in excess of \$500,000 individually or \$1,000,000 in the aggregate; and
- (xiv) each Contract (or group of related Contracts) pursuant to which the Company is the lessee of any personal property, or the lessor of any personal property, which provides for annual payments in excess of \$500,000;
- (xv) each partnership, joint venture or other similar Contract;
- (xvi) each Contract relating to any swap, forward, futures, warrant, option or other derivative or hedging transaction;
- (xvii) each franchise or option to purchase any asset other than real property reasonably anticipated to have value of \$750,000 or more (in the aggregate);

(xviii) each Contract under which the Company remains obligated to lend or make any investment in (in the form of a loan, capital contribution or otherwise) any other Person;

(xix) each Contract that relates to the indemnification of any Person, other than in the Ordinary Course of Business;

(xx) each other Contract (or group of related Contracts) in each case which is not (x) included in the foregoing clauses or (y) a Lease, that provides for (or is reasonably anticipated to provide) future payments by the Company in excess of \$1,000,000 per annum and which is not terminable at will by the Company with sixty (60) days' notice or less without payment of any prepayment penalty.

(b) The Company has heretofore made available to Buyer true and correct copies of all Material Contracts, including all amendments and modifications thereto, and, to the extent that any Material Contract is oral, **Schedule 4.12(a)** contains a summary of the material terms of such Material Contract. Each Material Contract is in full force and effect and constitutes a legal, valid and binding obligation of the Company, and, to the Company's Knowledge, of the other parties thereto. There is no material breach or default by the Company or, to the Company's Knowledge, by any third party under any Material Contract, and no event has occurred which, with notice or lapse of time or both, would constitute a material breach or default or would permit termination, modification or acceleration thereof by any party to such Material Contract. The Company has not received written notice (or, to the Company's Knowledge, oral notice) of the intention of any third party under any Material Contract to cancel, terminate or modify the terms of any such Material Contract, or accelerate the obligations of the Company thereunder. The Company has not waived any material right under any Material Contract. The Company has not received any prepayment under any Material Contract for any service that has not been fully performed or good that has not been supplied (other than as is fully reflected in the Interim Financial Statements and will be in Final Closing Date Net Working Capital as finally determined in accordance with **Section 2.3**).

4.13 Legal Proceedings. Except as set forth on **Schedule 4.13**, there is, and since the Lookback Date has been, no Action pending or, to the Company's Knowledge, threatened by or before any Governmental Authority against or involving the Company that alleges a material violation by the Company of any Law or Order applicable to its business or operations. Except as set forth on **Schedule 4.13**, there are no outstanding Orders applicable to the Company or its business.

4.14 Intellectual Property.

(a) (i) Except as set forth on **Schedule 4.14(a)**, the Company owns all Company-Owned IP, (ii) the Company owns, or has the valid right or license to, all Company IP and (iii) the Company Owned IP is not subject to any Lien, other than non-exclusive licenses granted by the Company in the Ordinary Course of Business. The Company IP constitutes all

(b) **Schedule 4.14(b)** lists all Company Registered Intellectual Property, including the jurisdictions in which each such item of Company Registered Intellectual Property has been applied for, issued or registered. Each item of Company Registered Intellectual Property is valid, enforceable, and subsisting (or in the case of applications, applied for), and all registration, maintenance and renewal fees and actions due prior to the date of this Agreement in connection with the Company Registered Intellectual Property have been paid or taken, as applicable.

(c) The performance of the Company's obligations under this Agreement will not cause the forfeiture or termination of, nor give rise to a right of forfeiture or termination of, any Company IP.

(d) Except pursuant to a Material Contract, the Company has not (i) received a license (except for licenses implied by the sale of goods, or shrink-wrap, click-wrap software licenses, end-user licenses and licenses to software generally commercially available) of any Intellectual Property from any third party or (ii) licensed any of the Company IP to any third party (except for non-exclusive licenses implied by the sale of goods and end-user licenses granted in the Ordinary Course of Business). The Company, and the operation of the Company's business, does not infringe, misappropriate or otherwise violate any third party's Intellectual Property.

(e) Except as set forth on **Schedule 4.14(e)**, there is no Action pending or, to the Company's Knowledge, threatened, against the Company relating to any Intellectual Property, and the Company has not received any written notice within the last three (3) years of any claim and, to the Company's Knowledge, no claim has been threatened that (A) challenges the validity, enforceability, use or ownership of any Company-Owned IP or (B) alleges that the Company or the operation of the Company's business infringes or otherwise violates any third party's right in or to such third party's Intellectual Property. To the Company's Knowledge, no Person is infringing, misappropriating or otherwise violating any of the Company-Owned IP or any Intellectual Property exclusively licensed to the Company. The Company has not received any written communication within the last three (3) years that requests or offers a license or grant of immunity from any Person with respect to any Intellectual Property.

(f) The Company owns and has the right to own all Intellectual Property developed by their respective past and current employees, contract workers, consultants and agents in connection with their services for the Company.

(g) The Company has implemented and complied with adequate procedures consistent with industry practices to maintain the secrecy and security of and to protect from loss, theft and unauthorized use and disclosure (i) its trade secrets and other proprietary information, (ii) the trade secrets and proprietary information entrusted or otherwise disclosed to the Company by others and (iii) the personally identifiable information provided to the Company by individuals and to personal information collected from individuals. To the Company's Knowledge, no Company IP that is a trade secret has been disclosed by the Company to any Person other than in connection with a binding confidentiality provision.

(h) The Company owns, leases or licenses software, hardware, databases, computer equipment and other information technology (collectively, "**Computer Systems**") that are useful for the operations of the Company's business. The Company has taken commercially reasonable steps to preserve the availability, security and integrity of the Computer Systems used in the Company's business and the data and information stored on such Computer Systems. With respect to such Computer Systems: to the Company's Knowledge, (i) there have been no material unauthorized intrusions or breaches of the security thereof; and (ii) there have been no material malfunctions thereof that have not been remedied or replaced in all material respects, or any material unplanned downtime or service interruption thereof. The Company has purchased a sufficient number of licenses for all software used by the Company.

(i) To the Company's Knowledge, there has been no unauthorized use of any personally identifiable information that is owned, used, stored, received, or controlled by or on behalf of the Company.

4.15 Insurance. **Schedule 4.15** sets forth, as of the date of this Agreement, all policies of insurance and all fidelity or surety bonds, in each case, held by or applicable to the Company, and sets forth, in respect of each such policy, the policy name, policy number, carrier, term, type and amount of coverage and annual premium. All such policies are valid, in full force and effect,

and binding and enforceable, and the Company is not, and to the Company's Knowledge, no other party to such insurance policies is, in default or otherwise in breach of any of its obligations under any of such insurance policies (including regarding payment of premiums or giving of notices). Except as set forth on **Schedule 4.15**, and excluding insurance policies that have expired and been replaced in the Ordinary Course of Business, no insurance policy has been cancelled by the insurer since the Lookback Date, and no written (or, to the Company's Knowledge, oral) threat has been made by an insurer and received by the Company to cancel any insurance policy of the Company during such period. There is not, and since the Lookback Date there has not been, any pending claim that has been denied or rejected by any insurer. All premiums due and payable on such insurance policies have been paid (other than retroactive or retrospective premium adjustments that are not yet but may be required to be paid with respect to any period ending prior to the Closing Date). No event has occurred that (with or without the passage of time or giving of notice, or both) would constitute a default or breach, or permit termination, modification, cancellation or acceleration of any right or obligation under any such insurance policy.

4.16 Personnel.

(a) Except as set forth on **Schedule 4.16(a)**, the Company is not a party to or subject to any collective bargaining agreements, and, (i) to the Company's Knowledge, no labor union or other collective bargaining unit represents or claims to represent any of the Company's employees, (ii) to the Company's Knowledge, no union organizing activities are underway or threatened with respect to the Company, nor have any union organizing activities occurred or been threatened with respect to the Company since the Lookback Date, and (iii) no strike, walkout, lockout, work slowdown or other material labor dispute is underway or, to the Company's Knowledge, threatened.

(b) Since the Lookback Date, the Company has not implemented any plant closing or layoff of employees that could implicate the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar Law (collectively, the "**WARN Act**").

(c) A properly completed Form I-9 is on file with respect to each current or former employee of the Company for whom such Form I-9 is required under applicable Law.

(d) To the Company's Knowledge, no current employee of the Company is subject to any obligation of confidentiality, non-solicitation or non-competition that would restrict or impede the activities of any such employee on behalf of the Company.

(e) **Schedule 4.16(e)** contains a complete and accurate list identifying all current employees of the Company with respect to each such employee includes the following information: (i) date of hire or initial service; (ii) job title; (iii) status as full-time or part-time (with "full-time" being defined as at least 40 hours per week), or on disability or any other leave of absence; (iv) classification as exempt or non-exempt under the Fair Labor Standards Act; (v) current annual salary, draw, or hourly-rate of compensation, and a description of any bonus, commission-based or other incentive compensation; (vi) accrued but unused vacation and sick pay (whether in the form of paid time off or some other form) and service credited for purposes of vesting and eligibility to participate in the Employee Plans; and (vii) primary work location, including city and state, and whether such employee primarily performs services from a home office.

4.17 Environmental Matters. Except as set forth on **Schedule 4.17**:

(a) the Company is, and since the Lookback Date has been, in compliance in all material respects with all Environmental Laws applicable to their operations and use of its properties and facilities (including the Leased Real Property);

(b) the Company has obtained and is in compliance in all material respects with all permits required by applicable Environmental Laws for the operation or occupation of its properties, assets and business as currently conducted, except for such noncompliance or failure to obtain which would not reasonably be expected to result in material liability under any Environmental Laws;

(c) there has been no Release of any Hazardous Material by or on behalf of the Company, including at the Leased Real Property, that requires cleanup or remediation

pursuant to, or would give rise to any material liability under, any applicable Environmental Law;

(d) since the Lookback Date, the Company has not (i) received written notice (except for notices that have been fully resolved) of any material violation of or material liability under any applicable Environmental Law, including under the citizen suit provisions of any Environmental Law; or (ii) been subject to or, to the Company's Knowledge, threatened with any Action with respect to any Environmental Law;

(e) there is not present in, on or under any of the Leased Real Property any Hazardous Material in such form or quantity as to create any liability for the Company under any Environmental Law, and the Company has not installed, used, generated, treated, disposed of or arranged for the disposal of any Hazardous Material in any manner so as to create any liability under any Environmental Law;

(f) the Company has provided to Buyer all environmental reports materially bearing upon environmental matters with respect to any environmental liabilities of, or the operations of, the Company and any property currently or formerly owned, leased or occupied by the Company, in each case in the Company's possession or under its reasonable control.

4.18 Conduct of Business in Ordinary Course. Except for the transactions contemplated hereby, and except as set forth on **Schedule 4.18**, since January 1, 2017, (a) the Company has conducted its business and operations in the Ordinary Course of Business, (b) there has not been a Material Adverse Effect and (c) there has not been any action that would require Buyer's written consent if taken during the period from the date of this Agreement until the Closing Date pursuant to **Section 7.1**.

4.19 No Brokers. Except as set forth on **Schedule 4.19** (each of which, for avoidance of doubt, constitute Selling Expenses), no broker, finder, investment banker, or similar agent has been engaged by or on behalf of the Company, and no Person is entitled to any commission, fee or any similar compensation, in connection with this Agreement or the transactions contemplated hereby.

4.20 Vendors and Customers. Set forth on **Schedule 4.20** is a complete and correct list of the ten (10) largest vendors, based on gross expenditures (each a "**Significant Vendor**"), and ten (10) largest customers, based on gross revenue (each a "**Significant Customer**"), of the Company, during the calendar year ending on December 31, 2016 and for the eight-month period ending on the Balance Sheet Date. The Company has not received any written (or, to the Company's Knowledge, oral) notice of any Significant Vendor's or Significant Customer's intent, and no Significant Vendor or Customer has taken any action, to cancel, or materially alter or decrease the volume of payments or sales, or threatened in writing (or, to the Company's Knowledge, orally) to do any of the foregoing, with respect to any arrangement with the Company. **Schedule 4.20** lists all discounts, trade ins, allowances, price concessions, incentive or rebate programs (including discount, slotting/intro allowances, bill-back price concessions, or volume incentives) utilized by the Company for any Significant Vendor at any point during the one-year period immediately preceding the date of this Agreement.

4.21 Related Persons Transactions. Except as set forth on **Schedule 4.21**, none of Seller, Seller's Affiliates or any of their respective employees, equity holders, Affiliates, officers, directors, managers, or members of Seller, or any member of any of their Immediate Family (if applicable) (each a "**Related Person**") (i) owes any amount to the Company nor does the Company owe any amount to (except in connection with an employment or independent contractor relationship) nor has the Company committed to make any loan or extend or guarantee credit to, or for the benefit of, or have any indebtedness to, any Related Person, (ii) is involved in any business arrangement or party to any Contract with the Company (except for an employment, ownership, or management relationship with the Company), (iii) has any claim or cause of action against the Company, (iv) has any material interest in any property (whether real, personal, or mixed and whether tangible or intangible), used by the Company or relating to the business or operations of the Company, or (v) owns, of record or as a beneficial owner, an equity interest or any other financial or profit interest in any Person that (x) has any material business dealings, or a material financial interest in any transaction, with the Company, or (y) engages in competition with the Company.

4.22 No Undisclosed Liabilities. The Company does not have any material liabilities other than those, (a) not required to by GAAP to be reflected on consolidated balance sheet of the Company, (b) specifically reflected on and fully reserved against on the face of the Company Financial Statements, (c) incurred in the Ordinary Course of Business since the Balance Sheet Date (none of which is a liability for breach of Contract, breach of warranty, tort, infringement, or violation of law) or (d) that are not, in

the aggregate, material to the Company.

4.23 Product Liabilities; Food Safety and Regulatory Compliance Matters.

(a) Except as set forth on **Schedule 4.23(a)**, since the Lookback Date, none of the products formulated, produced, manufactured, packaged, labeled, marketed, stored, transported, distributed, or sold by the Company, including the packaging, labeling, and advertising related thereto (each a “**Product**” and collectively the “**Products**”), is or has been adulterated or misbranded within the meaning of Food Laws applicable to such Products. None of the Products constituted an article prohibited from introduction into interstate commerce under applicable Food Laws at the time of its manufacture, distribution, delivery, or sale by the Company.

(b) Except as set forth on **Schedule 4.23(b)**, the Company has not, since the Lookback Date, whether voluntarily or as a result of any Action by any Governmental Authority, implemented a recall or market withdrawal (as those terms are defined by the FDA and USDA, as applicable) of a Product for any reason, including any manufacturing or labeling defect, impurity or adulteration, or issued any press release or public statements containing any statement advising its trade customers or consumers of the Products to treat such Products as contaminated or as a significant health risk.

(c) None of the Company’s Products is, or since the Lookback Date has been, the subject of any warning letter, regulatory letter, notice of violation, seizure, injunction, courtesy letter, public notification or notification to any Governmental Authority, or similar action, other than in the normal course of business.

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(d) Since the Lookback Date, there have been no, and there are no currently pending (or, to the Company’s Knowledge, threatened), Actions, and the Company has not received notice of any allegations or claims by the FDA, USDA, FTC, state attorneys general, any other Governmental Authority, consumer, consumer group, competitor, supplier, customer, or attorney that any of the Company’s Products are (i) unsafe, (ii) posed a threat to human safety, (iii) misbranded, (iv) falsely or misleadingly labeled or advertised, or (v) otherwise adulterated or misbranded as those terms are defined in the FFDCA or any Food Laws administered by the USDA.

(e) The Company is, and since the Lookback Date has been, in compliance with all Food Laws applicable to the Company. The Company has not been given notice of or has been charged with any actual or potential material violation of, or failure to comply in any material respect with, any applicable Food Laws.

(f) The Company’s advertising, labeling, and claims for the Products are, and since the Lookback Date have been, in compliance with applicable Food Laws, and no advertising, labeling, claims, or other promotional materials, whether in print, digital, online or other media used to promote the Products of the Company has been false or misleading, and has not and will not cause such product to be a drug under the FFDCA.

(g) No material liability exists for replacement, recall or other loss in connection with manufacture, distribution or sales of the Products since the Lookback Date (except to the extent reflected or reserved for in the Company Financial Statements) other than normal Product returns arising in the Ordinary Course of the Business.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Except as set forth in the Schedules referenced in this **Article V** (collectively, the “**Seller Disclosure Schedules**”), which shall qualify the corresponding representations and warranties of Seller set forth in this **Article V**, Seller represents and warrants to and for the benefit of Buyer that the following statements are true:

5.1 Organization and Standing. Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has the requisite power and authority to conduct its business as presently conducted.

5.2 Authority; Enforceability; Title.

(a) Seller has all requisite limited liability company power and authority to enter into and perform its obligations under this Agreement and the other agreements, documents, instruments and certificates contemplated hereby to which Seller is a

party (the “*Seller Documents*”) and to consummate the transactions contemplated herein and thereby, and this Agreement and the Seller Documents have been, or (as applicable) will be as of the Closing, duly and validly executed and delivered by Seller pursuant to all necessary limited liability company authorizations and are the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as limited by the General Enforceability Exceptions. The execution, delivery and performance by Seller of this Agreement

and each of the Seller Documents and the consummation by Seller of the transactions contemplated by this Agreement and each of the Seller Documents have been duly and validly authorized and approved by all requisite limited liability company or other similar organizational action on the part of Seller, and each such authorization and approval remains in full force and effect. No further limited liability company proceedings on the part of Seller are necessary to authorize the execution, delivery or performance of this Agreement or any of the Seller Documents or to consummate the transactions contemplated by and carry out Seller’s obligations under this Agreement and each of the Seller Documents.

(b) Seller is the record and beneficial owner of the Equity Securities, and has good and valid title to the Equity Securities, free and clear of all Liens. Upon the consummation of the transactions contemplated by this Agreement, at the Closing, Buyer will acquire from Seller good and valid title to the Equity Securities free and clear of all Liens, other than Liens created by Buyer or pursuant to federal and state securities Laws.

5.3 Legal Proceedings. There are no Actions pending or, to Seller’s knowledge, threatened against Seller that would adversely affect Seller’s performance under this Agreement or the consummation of the transactions contemplated hereby.

5.4 Consents. Except as set forth on **Schedule 5.4**, no Consent is required to be obtained by Seller for the consummation by Seller of the transactions contemplated by this Agreement and the Seller Documents.

5.5 No Brokers. Except as set forth on **Schedule 5.5** (each of which, for avoidance of doubt, constitute Selling Expenses), no broker, finder, investment banker, or similar agent has been engaged by or on behalf of Seller, and no Person with which Seller has had any dealings is entitled to any commission, fee or any similar compensation, in connection with this Agreement or the transactions contemplated hereby.

5.6 No Conflicts. Neither the execution, delivery or performance of this Agreement or the Seller Documents by Seller, nor the consummation by Seller of the transactions contemplated hereby or thereby, nor compliance by Seller with any of the provisions hereof or thereof, will (i) conflict with or result in a breach of any provisions of any Organizational Document of Seller, (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation, modification, amendment or acceleration with respect to, or result in the creation or imposition of any Lien upon, any property or assets of Seller or, pursuant to any note, bond, mortgage, indenture, license, agreement, lease, Contract or other instrument or obligation to which it is a party or by which it or any of its properties or assets may be subject, and that would, in any such event, reasonably be expected to materially and adversely affect the ability of Seller to consummate the transactions, and perform its obligations, contemplated by this Agreement, or (iii) subject to receipt of the requisite approvals referred to on **Schedule 5.6** and the expiration or termination of the waiting period under the HSR Act, violate any Order or Law applicable to Seller or any of its properties or assets.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to and for the benefit of the Company (prior to the Closing) and Seller that the following statements are true:

6.1 Securities Matters. The Equity Securities are being acquired by Buyer for investment only and not with a view to distribution in violation of the Securities Act. Buyer has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investments pursuant hereto, and Buyer is capable of bearing the economic risk of such investments, including a complete loss thereof. Buyer understands and agrees that it may not sell or dispose of any of the Equity Securities other than pursuant to a registered offering or in a transaction exempt from the registration requirements of the Securities Act and applicable state securities Laws. Buyer is an accredited investor as defined in Rule 501(a) of Regulation D

promulgated under the Securities Act.

6.2 Organization and Standing. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has the requisite power and authority, to conduct its business as presently conducted.

6.3 Authorization, Validity and Effect. Buyer has all the requisite corporate power and authority to enter into and perform its obligations under this Agreement and the other agreements, documents, instruments and certificates contemplated hereby to which it is a party (the “**Buyer Documents**”) and to consummate the transactions contemplated hereby and thereby. This Agreement and the Buyer Documents have been, or (as applicable) will be as of the Closing, duly and validly executed and delivered by Buyer pursuant to all necessary corporate authorizations and constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms, except as limited by the General Enforceability Exceptions. The execution, delivery and performance by Buyer of this Agreement and each of the Buyer Documents and the consummation by Buyer of the transactions contemplated by this Agreement and each of the Buyer Documents have been duly and validly authorized and approved by all requisite corporate or other similar organizational action on the part of Buyer, and each such authorization and approval remains in full force and effect. No further corporate proceedings on the part of Buyer are necessary to authorize the execution, delivery or performance of this Agreement or any of the Buyer Documents or to consummate the transactions contemplated by and carry out Buyer’s obligations under this Agreement and each of the Buyer Documents.

6.4 No Conflict; Required Filings and Consents.

(a) Neither the execution, delivery or performance of this Agreement or the Buyer Documents by Buyer, nor the consummation by Buyer of the transactions contemplated hereby or thereby, nor compliance by Buyer with any of the provisions hereof or thereof, will (i) conflict with or result in a breach of any provisions of any Organizational Document of Buyer, (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation, modification, amendment or acceleration with respect to, or result in the creation or imposition of any Lien upon, any

property or assets of Buyer or, pursuant to any note, bond, mortgage, indenture, license, agreement, lease, Contract or other instrument or obligation to which it is a party or by which it or any of its properties or assets may be subject, and that would, in any such event, reasonably be expected to materially and adversely affect the ability of Buyer to consummate the transactions, and perform its obligations, contemplated by this Agreement, or (iii) subject to receipt of the requisite approvals referred to on **Schedule 6.4(b)** and the expiration or termination of the waiting period under the HSR Act, violate any Order or Law applicable to Buyer or any of its properties or assets.

(b) Other than as set forth on **Schedule 6.4(b)** and any filings as may be required under the HSR Act, no Consent is required to be obtained by Buyer for the consummation by Buyer of the transactions contemplated by this Agreement, in any event, that would reasonably be expected to materially and adversely affect the ability of Buyer to consummate the transactions, and perform its obligations, contemplated by this Agreement.

6.5 Legal Proceedings. There are no Actions pending or, to Buyer’s knowledge, threatened against Buyer that would adversely affect Buyer’s performance under this Agreement or the consummation of the transactions contemplated hereby.

6.6 Financial Capability. Buyer has sufficient immediately available funds or binding, unconditional and irrevocable financing commitments to pay the Closing Date Consideration and make such other payments as may be required at the Closing in order to consummate and perform the transactions contemplated hereby. Immediately after giving effect to the transactions contemplated hereby, Buyer will be able to pay its debts as they become due in the ordinary course of business and shall own assets having a fair saleable value greater than its combined stated and contingent liabilities.

6.7 No Brokers. Seller will have no liability for or obligation with respect to any broker, finder, investment banker or similar agent engaged by or on behalf of Buyer for any commission, fee or any similar compensation, in connection with this Agreement or the transactions contemplated hereby.

6.8 Acknowledgments. Buyer acknowledges and agrees that the representations and warranties made by the Company and Seller in this Agreement and the other agreements and certificates contemplated by this Agreement (as qualified by the Schedules) supersede, replace and nullify in every respect the data and representations and warranties set forth in any other

document, material or statement, whether written or oral, made available to Buyer, and Buyer has not, and shall be deemed to have not, relied on any data or representations and warranties contained in such other document, material or statement for any purpose whatsoever, including as a promise, projection, guaranty, representation, warranty or covenant.

6.9 Solvency. After giving effect to the consummation of the transactions contemplated hereby, and assuming (i) the accuracy of the representations and warranties of the Company and Seller contained in this Agreement, (ii) the satisfaction of the conditions to Buyer's obligation to consummate the Closing in **Article VIII**, (iii) any estimates, projections or forecasts prepared by or on behalf of the Company or Seller that have been provided to Buyer have been prepared in good faith based upon assumptions that were and continue to be

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reasonable, and (iv) the Company is solvent immediately prior to the Closing, then as of immediately following the Closing, the Company: (a) will be solvent (in that both the fair value of its assets will not be less than the sum of its debts and that the present fair saleable value of its assets will not be less than the amount required to pay its probable liability on its debts as they become absolute and matured), (b) will not have unreasonably small capital with which to engage in its business; and (c) will not have incurred and will not plan to incur debts beyond its ability to pay as they become absolute and matured.

6.10 R&W Insurance. Exhibit C sets forth the binders or similar documents, effective the date of this Agreement, attaching the final forms of the "buyer's" representations and warranties insurance policies from the respective R&W Insurance Providers (collectively, the "**R&W Insurance Policy**"), insuring Buyer for Losses due to breaches of certain representations and warranties made by the Company (on behalf of the Company) under **Article IV** or Seller under **Article V**, which shall expressly exclude any right of subrogation in favor of the R&W Insurance Providers against Seller or any of Seller's officers, managers, directors, equity holders, employees or agents under this Agreement or in respect of the transactions contemplated hereby, other than with respect to right of recovery against any such Person in cases of Fraud.

ARTICLE VII COVENANTS AND AGREEMENTS

7.1 Interim Operations. Between the date of this Agreement and the Closing or the earlier termination of this Agreement in accordance with **Article IX**, except as set forth on **Schedule 7.1** or as expressly required by this Agreement, unless Buyer has previously consented in writing or as required by applicable Law, the Company will (i) conduct its operations in the Ordinary Course of Business and (ii) use commercially reasonable efforts to preserve present relationships with customers, suppliers, co-packers, vendors, distributors, employees and lenders having business dealings with the Company (it being understood that, for the avoidance of doubt, prior to the Effective Time, the Company may use all available cash to repay any Company Debt). Without limiting the foregoing, between the date of this Agreement and the Closing or the earlier termination of this Agreement in accordance with **Article IX**, except as set forth on **Schedule 7.1** or as expressly required by this Agreement, unless Buyer has previously consented in writing or as required by applicable Law, the Company shall not do any of the following:

(a) incur any Company Debt or issue any long-term debt securities or assume, guarantee or endorse such obligations of any other Person, except for indebtedness incurred in the Ordinary Course of Business under lines of credit existing on the date hereof, which will be paid off at the Closing and included in Company Debt;

(b) (i) except in the Ordinary Course of Business, sell, transfer, assign, lease, license, abandon or dispose of, any material property or assets, (ii) mortgage or encumber, or subject to any Lien, any property or assets other than Permitted Liens incurred in the Ordinary Course of Business, or (iii) cancel any debts owed to or claims held by the Company;

(c) other than in the Ordinary Course of Business, enter into, amend, modify, renew, cancel or terminate any Material Contract; provided that the Company shall be permitted

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to extend, renew or replace any such Material Contract with one or more Contracts on substantially similar terms;

(d) enter into, adopt, amend, terminate, or increase the amount benefits or compensation (including any bonus) due under any Employee Plan or other benefit or compensation plan, program, Contract, or arrangement, including any agreement

relating to the compensation or severance of any employee of the Company, except to the extent required by Law;

- (e) make any change to the Company's accounting methods, principles or practices, except as may be required by GAAP or changes in Law;
- (f) make or change any material Tax election, change an annual accounting period, or adopt or change any accounting method;
- (g) make any amendment (whether by merger, consolidation or otherwise) to the Company's Organizational Documents;
- (h) issue, redeem, pledge, deliver, grant, sell, or otherwise dispose of any Equity Interests or options, warrants, calls, subscriptions or other rights to purchase or redeem any Equity Interests of the Company, or issue or declare any non-cash dividends or distributions with respect thereto, or split, combine, reclassify or subdivide the Equity Interests of the Company, or otherwise change the capital structure of the Company;
- (i) directly or indirectly, acquire by merger or consolidation with, or merge or consolidate with, or purchase substantially all of the assets or otherwise acquire any assets or business of, or acquire any equity interests in, any Person;
- (j) (i) initiate any Action or (ii) enter into any settlements or compromises of any Actions, if such settlements or compromises would involve (x) the imposition of any material non-monetary restrictions upon the Company, or (y) any payment in excess of \$100,000;
- (k) allow any material insurance policies to lapse, without renewal or replacement on commercially reasonable terms;
- (l) make any material loans, advances or capital contributions to, or material investments in, any other Person;
- (m) make capital expenditures in excess of \$500,000, in the aggregate;
- (n) dispose of (whether by transfer, merger, consolidation, disposition of stock or assets or otherwise), directly or indirectly, any material assets, properties or businesses, other than (i) the sale of inventory in the Ordinary Course of Business or (ii) the sale or disposal of obsolete or excess equipment in the Ordinary Course of Business;
- (o) create any Subsidiary of the Company;

(p) (i) adopt a plan of agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization or (ii) file a bankruptcy petition under any provisions of federal or state bankruptcy law on behalf of the Company or consent to the filing of any bankruptcy petition against the Company under any similar law;

(q) materially delay, decrease, or increase the rate of promotional or marketing expenditures, other than in the ordinary course of business; or

(r) authorize, agree or commit to take any of the actions described in the foregoing sub-clauses of this

Section 7.1.

Nothing contained in this **Section 7.1** or elsewhere in this Agreement shall preclude the Company, in its sole discretion, from making cash distributions to Seller prior to the Effective Time using available cash on hand and without otherwise violating this **Section 7.1.**

7.2 Reasonable Access; Confidentiality.

(a) From the date hereof until the Closing Date or the earlier termination of this Agreement in accordance with **Article IX**, and subject to applicable Law, the Company and Seller shall (i) give Buyer, its Affiliates, its counsel, its financing sources, its financial advisors, its insurance underwriters and their respective representatives, upon reasonable notice to the

Company, reasonable access, during normal business hours, to the officers, employees, agents, assets, properties, books, records and agreements of the Company, (ii) furnish to Buyer, its Affiliates, its counsel, its financing sources, its financial advisors, its insurance underwriters and their respective representatives such financial and operating data and any other information relating to the Company as such Persons may reasonably request, and (iii) instruct the key management members, counsel and financial advisors of the Company to cooperate with Buyer in its investigation of the Company, provided that such activities shall not unreasonably disturb the operations of the Company. The foregoing covenant will not require the Company to provide the Buyer or its representatives with access to any document or other communication that the Company believes in good faith may be subject to any contractual confidentiality obligation (provided, however, that with respect to documents or communications that the Company believes in good faith may be subject to a contractual confidentiality obligation, the Company shall identify such document or communication to Buyer without disclosing the confidential contents thereof and will cooperate with Buyer in furtherance Buyer obtaining access to such confidential information without the Company breaching its contractual confidentiality obligations) or that may be covered by any attorney-client, work product or similar legal privilege.

(b) From the date hereof until the Closing Date or the earlier termination of this Agreement in accordance with **Article IX**, except as contemplated hereby, Buyer shall not, without the prior written consent of the Company, contact, in any manner, any customers, suppliers, co-packers, vendors or employees of the Company with respect to any matters relating to this Agreement or the transactions contemplated hereby.

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(c) Any information provided to or obtained by Buyer pursuant to **Section 7.2(a)** and **Section 7.2(b)** above will be subject to the Confidentiality Agreement, dated July 27, 2017, between the Company and Buyer (the “**Confidentiality Agreement**”), and must be held by Buyer in accordance with and be subject to the terms of the Confidentiality Agreement.

(d) Buyer shall be bound by and comply with the provisions set forth in the Confidentiality Agreement as if such provisions were set forth herein, and such provisions are hereby incorporated herein by reference; provided that, the Confidentiality Agreement shall terminate and be of no further force or effect upon consummation of the Closing.

(e) During the period beginning immediately following the Closing and ending on the second anniversary of the Closing Date (except, with respect to any confidential and non-public information that is a trade secret under applicable Law, the following obligations will remain in effect so long as such information remains a trade secret), Seller will, and will cause its Affiliates to, keep confidential and not disclose, any confidential and non-public information of the Company, except (a) to the extent such information becomes available to Seller or Affiliate of Seller after Closing as a result of disclosure not known by such recipient to have been improper or generally known to the public, or (b) as required by applicable Law, in which case, to the extent practicable, Seller or such Affiliate of Seller will provide Buyer notice and Seller or such Affiliate of Seller will cooperate with Buyer’s reasonable efforts to contest and oppose such disclosure, at Buyer’s expense.

7.3 Publicity. Upon execution of this Agreement, the Parties shall jointly issue a press release in a form agreed upon by the Parties. Except as contemplated by the preceding sentence or as may be required to comply with the requirements of any applicable Law or the rules of any securities exchange to which the disclosing party is subject, in each case in the reasonable opinion of counsel to such Party, no Party will issue any press release or other public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior approval (which approval will not be unreasonably withheld or delayed) of (a) with respect to such releases or announcements by Buyer or the Company (from and after the Closing Date), Seller or (b) with respect to such releases or announcements by Seller or the Company (prior to the Closing Date), Buyer; provided, however, that, after the Closing, (i) each of Buyer, Seller, their respective fund sponsors, if applicable, and their respective brokers, if applicable, will be entitled to issue a “tombstone” or similar advertisement (which may include the aggregate consideration paid in connection with the transactions contemplated hereby) without obtaining such prior approval, and (ii) in connection with any press release or public announcement required by Law, Buyer and Seller shall, to the extent possible, have the right to review and comment on such public announcement prior to publication. Notwithstanding the foregoing, each of Seller, Buyer and their respective fund sponsors, if applicable, and Affiliates will be allowed to disclose the terms of this Agreement and the transactions contemplated hereby (x) to authorized representatives and employees of such Person or its Affiliates, (y) to its and its Affiliates’ investors in connection with summary information about such Person or any of such Person’s Affiliates’ financial condition and (z) to any of such Person’s Affiliates, auditors, attorneys, financing sources, potential investors or other agents or any other Person to whom such Person discloses such information in the ordinary course of business.

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7.4 Records. With respect to the financial books and records, Tax Returns and minute books of the Company relating to matters on or prior to the Closing Date: (a) Buyer shall maintain such items in accordance with its record-retention policies, and (b) where there is an audit of the Company by any Taxing Authority relating to the time period prior to Closing, Buyer shall allow Seller and its representatives reasonable access (to the extent permitted by Law) to the books, records (including accountant work papers), and employees of the Company during regular business hours.

7.5 Continuing Indemnification for Company Actors.

(a) From and after the Closing Date until the sixth anniversary of the Closing Date, the Company shall (i) fulfill and honor in all respects the obligations of the Company for indemnification and advancement of expenses in favor of each past and present officer and director of the Company under the Organizational Documents of the Company (in effect as of the date hereof), and (ii) indemnify, hold harmless and advance expenses to each Person who is now, has been at any time prior to the date of this Agreement, or becomes prior to the Closing Date, an officer or director of the Company (each, a “*Company Indemnitee*”) against any Losses incurred in connection with any threatened or pending Action, whether asserted or claimed prior to, at or after the Closing Date, if and whenever such Company Indemnitee is or was a party to or a subject of, or is threatened to be made a party to or a subject of, such Action arising out of or pertaining to acts or omissions or alleged acts or omissions of the Company Indemnitee occurring on or prior to the Closing Date (including, without limitation, for acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby) in his or her capacity as an officer, manager, director, employee or fiduciary of the Company, to the fullest extent permitted by the General Corporation Law of the State of Delaware and to the extent required by the Organizational Documents (in effect as of the date hereof). The Organizational Documents of the Company following the Closing shall contain provisions with respect to indemnification that are at least as favorable to the Company Indemnitees as those contained in the Organizational Documents of the Company as in effect on the date of this Agreement, which provisions will not be amended, repealed or otherwise modified for a period of six years from the Closing Date in any manner that would adversely affect the rights thereunder of the Company Indemnitees, unless such modification is required by applicable Law, and all rights to indemnification thereunder in respect of any Action asserted or made within such period shall continue until the final disposition or resolution of such Action or the expiration of the statute of limitations with respect to any such claim, together with any appeal thereof.

(b) (i) For six years after the Closing Date, the Company or Buyer shall maintain in effect directors’ and officers’ liability insurance, employment practices liability insurance and fiduciary liability insurance covering acts or omissions occurring on or prior to the Closing Date with respect to those Persons who are currently covered by the Company’s comparable insurance policies on terms with respect to such coverage and amount no less favorable to the insured than those of such current insurance coverages or (ii) at the Closing, at the expense of Buyer, the Company shall purchase an extended reporting period endorsement under the Company’s existing directors’ and officers’ liability insurance coverage for the Company’s directors and officers in a form acceptable to the Company that shall provide the coverage detailed in clause (i) above. Prior to the Closing Date, Buyer shall deliver to the

Company and Seller reasonable evidence of the continuation as aforesaid of such insurance coverages.

(c) The provisions of this **Section 7.5** are intended to be for the benefit of, and will be enforceable by, each Company Indemnitee or insured Person, his or her heirs and his or her representatives and are in addition to, and not in substitution for, any other right to indemnification or contribution that any such Person may have by contract or otherwise. Following the Closing, in the event the Company or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, in each such case, proper provisions shall be made so that the successors and assigns of the Company, shall assume the obligations set forth in this **Section 7.5**.

7.6 Certain Notices; Supplemental Disclosure.

(a) During the period from the date of this Agreement through the Closing Date or the earlier termination of this Agreement in accordance with **Article IX**, Buyer shall promptly advise the Company in writing if it becomes aware of (i) the occurrence, or non-occurrence, of any event that has caused any representation or warranty made by it to be untrue or inaccurate in any material respect at any time after the date of this Agreement and prior to the Closing, (ii) any material failure on its part to

comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, (ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, (iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement (to the extent notification thereof to Seller is permitted by such Governmental Authority), and (iv) any Action that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to **Section 6.5**.

(b) During the period from the date of this Agreement through the Closing Date or the earlier termination of this Agreement in accordance with **Article IX**, the Company or Seller shall promptly advise Buyer in writing if the Company or Seller obtains knowledge of (i) any material failure on its or Seller's part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it or Seller hereunder, (ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement; (iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement (to the extent notification thereof to Buyer is permitted by such Governmental Authority); and (iv) any Actions commenced that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to **Section 4.13**.

7.7 Commercially Reasonable Efforts; Cooperation. Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and to obtain satisfaction or waiver of the conditions precedent

to the consummation of the transactions contemplated hereby, including, except as provided in **Section 7.10**, (a) obtaining all of the Consents and the making of all filings and the taking of all steps as may be necessary to obtain a Consent from, or to avoid an Action by, any Governmental Authority, (b) obtaining the necessary consents from third parties, (c) defending any Action challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any Governmental Authority vacated or reversed, and (d) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by this Agreement. The "commercially reasonable efforts" of Seller, Buyer and the Company shall not require Seller, Buyer or the Company or any of their Affiliates to (i) expend any money to remedy any breach of any representation or warranty hereunder, (ii) commence any litigation or arbitration proceeding, to offer or grant or otherwise provide any accommodation (financial or otherwise) to any Person, (iii) to waive strict compliance with the terms of this Agreement by any other Party, or (iv) with respect to the Company or Seller, to provide financing to Buyer for the completion of the transactions contemplated hereunder.

7.8 Employment and Benefit Arrangements.

(a) Buyer agrees that, for a period of one year following the Closing (or, if earlier, until the date of termination of the relevant employee), the individuals who are employed by the Company as of the Closing Date (the "**Company Employees**") shall be eligible to receive compensation and employee benefits (other than equity or equity-based compensation) that are substantially comparable in the aggregate to that compensation and those benefits (other than any equity or equity-based compensation) provided to the Company Employees immediately prior to the date hereof. Buyer shall use commercially reasonable efforts to ensure that any employee benefit plans or programs it maintains or adopts with respect to the Company Employees treat employment with the Company prior to the Closing Date the same as employment with Buyer, the Company from and after the Closing Date for purposes of eligibility and vesting (including the satisfaction of any waiting periods under any welfare benefit plans maintained by Buyer (the "**Buyer Welfare Plans**")) and, for purposes of any vacation plan or policy it adopts with respect to the Company Employees, benefit accrual, in each case to the same extent that such employment with the Company prior to the Closing Date was recognized for such purpose under the corresponding Employee Plan, provided however, that service and employment with the Company prior to the Closing Date will not be recognized for retiree medical and defined benefit pension plan benefits. In the plan year in which the Closing occurs, no pre-existing condition limitations, exclusions or waiting periods applicable with respect to medical benefits under the Buyer Welfare Plans will apply to Company Employees to the extent that such limitations, exclusions or waiting periods did not apply to such Company Employee under the corresponding Employee Plan providing medical benefits as of the Closing Date to the extent that Company provides Buyer sufficient information regarding such status. The Buyer Welfare Plans that are medical benefit plans in which a Company Employee participates after the Closing Date will use commercially reasonable efforts to recognize, for purposes of satisfying any deductible, co-pays and out-of-pocket maximums during the plan

year in which the Closing Date occurs, any payment made by such Company Employee in such plan year prior to the Closing Date toward deductibles, co-pays and out-of-pocket maximums in any corresponding Employee Plan to the extent that Company provides Buyer sufficient information regarding such amounts.

(b) Buyer shall be solely responsible for issuing, serving and delivering all orders and notices required, if any, pursuant to the WARN Act or its state law equivalent, in connection with the termination of any employees of the Company after the Closing Date. Further, Buyer shall either (i) retain the Company Employees to the extent necessary to avoid any requirement that the Company deliver notifications with respect to any Company Employees or any individual employed by the Company within the 90 day period prior to the Closing Date pursuant to the WARN Act or its state law equivalent, if any; or (ii) to the extent necessary provide any notices to the Company Employees required under the WARN Act in accordance with the WARN Act.

(c) Nothing in this **Section 7.8**, whether express or implied, shall: (i) confer upon any Company Employee or other Person any rights or remedies, including any right to employment or continued employment for any period or any terms or conditions of employment, or any third-party beneficiary rights hereunder; (ii) be interpreted to prevent or restrict Buyer or its Affiliates (including, following the Closing Date, the Company) from modifying or terminating the employment or terms of employment of any Company Employee, including the amendment or termination of any benefit or compensation plan, program, policy, Contract, agreement or arrangement, after the Closing; or (iii) be treated as an establishment or an amendment or other modification of any Employee Plan or other compensation or benefit plan, program, policy, Contract, agreement or arrangement.

7.9 No Shop. Each of Seller and the Company shall not, and shall cause their respective officers, directors, partners, employees, Affiliates, agents and representatives not to, directly or indirectly, solicit, initiate, discuss, entertain, undertake, authorize, recommend, propose, seek, enter into or encourage the submission of any proposal or offer from any Person relating to the acquisition of any portion of the Equity Securities or other Equity Interests or any portion of the assets (other than inventory sold in the Ordinary Course of Business) of, or similar transaction involving, the Company or Seller (including any acquisition structured as a merger, joint venture, consolidation, share exchange or otherwise) (each, an “**Acquisition Proposal**”); provided, however, that the Company’s representatives may respond to unsolicited inquiries, but solely for the purpose of communicating that the Company is not able to entertain the unsolicited offer. Seller and the Company shall (and shall cause their respective officers, directors, partners, employees, Affiliates, agents and representatives to) immediately cease and cause to be terminated any existing discussions or negotiations with any Persons (other than Buyer) with respect to any Acquisition Proposal and to immediately cause to be terminated access to the data room prepared by Seller with respect to the transactions contemplated hereby (other than to Buyer).

7.10 Antitrust and Other Closing Matters.

(a) Each of the Company and Buyer agrees to file all appropriate notifications and filings pursuant to the HSR Act or any other applicable Antitrust Law with respect to the transactions contemplated by this Agreement in the most expeditious manner practicable, but in any event within five (5) Business Days after the date hereof and to respond promptly to any request for additional information and documentary material that may be issued to such Party by the relevant Governmental Authorities in connection with the HSR Act or any other applicable Antitrust Law. Each of the Company and Buyer agrees to use its commercially reasonable efforts

to obtain early termination of the waiting period under the HSR Act or any other applicable Antitrust Law. No Party shall take any action or step to extend, delay, or prevent the expiration or termination of any applicable waiting period under the HSR Act or other Antitrust Law without the express advance written consent of the other Parties. Buyer agrees to use, and to cause its Affiliates to use, commercially reasonable efforts to avoid or eliminate as soon as practicable each and every impediment under the HSR Act or any other applicable Antitrust Law that may be asserted by any United States or foreign antitrust Governmental Authority, provided however, that Buyer, notwithstanding the foregoing or any other provision hereof to the contrary, shall not be required to (and shall not be required to cause its Affiliates to) (i) pursue or defend against any Action, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, in order to avoid or eliminate each and every impediment under the HSR Act or any other applicable Antitrust Law that may be asserted by any Governmental Authority with respect to the transactions contemplated by this Agreement, (ii) propose, accept, negotiate, commit to

or effect by consent decree, hold separate order or otherwise, the sale, divestiture, licensing or disposition of any assets or businesses of Buyer (or its Subsidiaries or other Affiliates, including, following the Closing, the Company), or (iii) otherwise take or commit to take actions that limit Buyer's or its Subsidiaries or other Affiliates, including, following the Closing, the Company's, freedom of action with respect to, or its ability to retain, any of the businesses, product lines or assets of Buyer (or its subsidiaries or other Affiliates, including, following the Closing, the Company). Each of the Company and Buyer agrees not to participate in any substantive meeting or discussion, either in person or by telephone, with any United States or foreign antitrust Governmental Authority in connection with the transactions contemplated by this Agreement unless it consults with the other Party in advance, if at all possible, and, to the extent not prohibited by such antitrust Governmental Authority, gives the other Party the opportunity to attend and participate. The Company and Buyer will supply each other with (a) in advance of submission and with a reasonable opportunity for review and comment thereon, a draft of any contemplated substantive communication with an antitrust Governmental Authority relating to the transactions contemplated hereby; and (b) copies of all correspondence, filings or communications with antitrust Governmental Authorities, with respect to the transactions contemplated by this Agreement; provided, however, that to extent any of the documents or information are commercially or competitively sensitive, the Company or Buyer, as the case may be, may satisfy its obligations by providing such documents or information to the other Party's outside antitrust counsel, with the understanding and agreement that such antitrust counsel shall not share such documents and information with its client.

(b) No Party will enter into any transaction, or any contractual arrangement or other agreement, whether oral or written, to effect any transaction (including any merger or acquisition) that could reasonably be expected to make it more difficult, or to increase the time required, to: (i) obtain the expiration or termination of the waiting period under the HSR Act or any other applicable Antitrust Law, (ii) avoid the entry of, or effect the dissolution of, any injunction, temporary restraining order or other order or decree that would materially delay or prevent the consummation of the transactions contemplated by this Agreement or (iii) obtain all authorizations, consents, orders and approvals of Governmental Authorities necessary for the consummation of the transactions contemplated by this Agreement.

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(c) Each of Buyer and the Company shall cooperate reasonably with one another (a) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from third parties to any Leases or Contracts, in connection with the consummation of the transactions contemplated by this Agreement and (b) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers; provided, that nothing in this Agreement shall obligate or be construed to obligate any of Buyer, Seller or the Company to make or cause to be made (and, without Buyer's prior written consent, neither Seller nor the Company shall make) any payment or concession to any third party in order to obtain any such action, consent, approval or waiver under any Lease or Contract or from any Governmental Authority other than the payment of nominal administrative, processing or similar charges, or other legally required filing fees in connection with filings with any Governmental Authority, or as otherwise specifically required by this Agreement.

7.11 Non-Solicit. Seller agrees that, for a period commencing on the Closing Date and ending on the date that is twelve (12) months after the Closing Date, it shall not, and it will cause its Affiliates to not, solicit for employment or hire any director-level (or higher) or sales employee of the Company; provided that this **Section 7.11** shall not prohibit Seller or its Affiliates from (a) conducting a general solicitation or advertisement that is not specifically directed at employees of the Company, (b) soliciting for employment or hiring any individuals who have not been employed or engaged by the Company for a period of six months prior to the date such individuals were first solicited for employment, or (c) responding to unsolicited inquiries regarding employment. The undertakings in this **Section 7.11** are given to Buyer and to each of its Affiliates (including the Company). Seller acknowledges that such undertakings are entirely independent restrictions and are no greater than is reasonably necessary to protect the interests of Buyer and its Affiliates. If the final judgment of a court of competent jurisdiction declares that any term or provision of this **Section 7.11** is invalid or unenforceable, the Parties agree that such court making the determination of invalidity or unenforceability will have the power to reduce the scope or duration of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

7.12 Tax Matters. The Company shall (a) prior to the Closing Date, solicit from each "disqualified individual" with respect to the Company (within the meaning of Section 280G(c) of the Code) who could otherwise receive any payment or benefits that would constitute a "parachute payment" (within the meaning of Section 280G(b)(2)(A) of the Code) a waiver of such

disqualified individual's rights to some or all of such payments or benefits (the "**Waived 280G Benefits**") so that all remaining payments and/or benefits, if any, shall not be deemed to be "excess parachute payments" (within the meaning of Section 280G of the Code) and (b) prior to the Closing Date, with respect to each individual who agrees to the waiver described in clause (a), submit to a stockholder vote (along with adequate disclosure satisfying the requirements of Section 280G(b)(5)(B)(ii) of the Code and any regulations promulgated thereunder) the right of any such "disqualified individual" to receive the Waived 280G Benefits. Prior to soliciting such waivers and approval materials, the Company shall provide drafts of such waivers and approval

materials to Buyer for its review and comment no later than two (2) Business Days prior to soliciting such waivers and soliciting such approval, and the Company shall consider any comments provided by Buyer in good faith. If any of the Waived 280G Benefits fail to be approved in accordance with the requirements of Section 280G(b)(5)(B) of the Code as contemplated above, such Waived 280G Benefits shall not be made or provided. Prior to the Closing, the Company shall deliver to Buyer evidence reasonably acceptable to Buyer that a vote of the stockholders of the Company was solicited in accordance with the foregoing provisions of this **Section 7.12** and that either (i) the requisite number of votes of the stockholders of the Company was obtained with respect to the Waived 280G Benefits (the "**280G Approval**") or (ii) the 280G Approval was not obtained, and, as a consequence, the Waived 280G Benefits shall not be made or provided.

7.13 Data Room. Within five (5) Business Days of the Closing Date, Seller will deliver to Buyer three (3) digital copies of the data room prepared by Seller with respect to the transactions contemplated hereby.

ARTICLE VIII

CONDITIONS TO CLOSING

8.1 Conditions to Obligations of the Parties. The respective obligations of the Company, Seller and Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) in writing by the Party entitled to the benefit of such condition at the Closing of the following conditions (it being understood that all conditions to Closing shall be deemed to have been satisfied or waived from and after the Closing):

(a) no Action shall be pending or threatened seeking to restrain, delay or prohibit, and none of the Parties shall be subject to any Law or any Order of a court of competent jurisdiction that restrains, delays or prohibits, the consummation of the transactions contemplated by this Agreement (a "**Restrain**"); and

(b) the filings of Buyer and the Company pursuant to the HSR Act and other applicable Antitrust Laws, if any, shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

8.2 Conditions to Obligations of the Seller and the Company. The obligations of Seller and the Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) in writing by the Party entitled to the benefit of such condition at the Closing of each of the following additional conditions (it being understood that all conditions to Closing shall be deemed to have been satisfied or waived from and after the Closing):

(a) the representations and warranties of Buyer set forth in this Agreement will be true and correct (without giving effect to any materiality or in all material respects qualifications contained therein) as of the date hereof and as of the Closing Date as though made on and as of the Closing Date, except (i) to the extent such representations and warranties speak as of an earlier date (which need only be true and correct as of such earlier date), and (ii) where

the failure to be so true and correct has not had and would not be likely to result in a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby;

(b) each of the agreements and covenants of Buyer to be performed and complied with by Buyer pursuant to this Agreement prior to the Closing Date shall have been duly performed and complied with in all material respects (it being understood that failure to pay any amounts payable by or on behalf of Buyer pursuant to, and in accordance with, **Article II** and/or **Article III** shall be deemed to be material); and

- (c) Buyer shall have delivered the items set forth in **Section 3.3**.

8.3 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) at the Closing of each of the following additional conditions (it being understood that all conditions to Closing shall be deemed to have been satisfied or waived from and after the Closing):

(a) (i) the representations and warranties of the Company and Seller set forth in this Agreement (other than the Company Fundamental Reps) will be true and correct (without giving effect to any materiality, in all material respects, or Material Adverse Effect qualifications contained therein) as of the date hereof and the Closing Date as though made on and as of the Closing Date, except (A) to the extent such representations and warranties speak as of an earlier date (which need only be true and correct as of such earlier date), and (B) where the failure to be so true and correct would not have a Material Adverse Effect; and (ii) the Company Fundamental Reps shall be true and correct (without giving effect to any materiality, in all material respects, or Material Adverse Effect qualifications contained therein) in all respects as of the date hereof and the Closing Date as though made on and as of the Closing Date;

(b) each of the agreements and covenants of the Company and Seller to be performed and complied with by the Company or Seller pursuant to this Agreement prior to or as of the Closing Date shall have been duly performed and complied with in all material respects;

- (c) since the date of this Agreement, there shall not have occurred a Material Adverse Effect; and

- (d) the Company or Seller shall have delivered the items set forth in **Section 3.2**.

8.4 Frustration of Closing Conditions. Neither Buyer, the Company nor Seller may rely on the failure of any condition set forth in **Section 8.1**, **Section 8.2** or **Section 8.3**, as the case may be, to be satisfied if such failure was primarily caused by such Party's material breach of its obligations to consummate the transactions contemplated by this Agreement as required by the provisions of this Agreement.

ARTICLE IX

TERMINATION OF AGREEMENT

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9.1 Termination. Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the Closing Date:

- (a) by the mutual written consent of Buyer and Seller;

(b) by Buyer or Seller, upon written notice to the other Party, if the Closing has not occurred on or prior to April 30, 2018 (the "***Outside Date***"); provided, however, that the right to terminate this Agreement pursuant to this **Section 9.1 (b)** is not available to any Party whose breach of its obligations, covenants, representations, or warranties under this Agreement has been the principal cause of the failure of the Closing by such time;

(c) by Buyer or Seller, upon written notice to the other Party, if any Restraint is in effect and has become final and non-appealable;

(d) by Buyer, by giving written notice to Seller in the event the Company or Seller is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) would cause any of the conditions set forth in **Section 8.3(a)** or **Section 8.3(b)** not to be satisfied prior to the Outside Date and (ii) if curable, is not cured within twenty (20) days following delivery by Buyer to Seller of written notice of such breach; or

(e) by Seller, by giving written notice to Buyer in the event Buyer is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) would cause the conditions set forth in **Section 8.2(a)** or **Section 8.2 (b)** not to be satisfied prior to the Outside Date and (ii) if curable, is not cured within twenty (20) days following delivery by the Company or Seller to Buyer of written notice of such breach.

9.2 Effect of Termination. If this Agreement is terminated in accordance with **Section 9.1**, then (a) this Agreement

shall forthwith become void and of no further force or effect (other than Sections 7.2(c) and 7.2(d), Section 7.3, this Section 9.2 and Article XII, which shall survive the termination of this Agreement and shall be enforceable by the Parties notwithstanding any such termination), and (b) there shall be no liability on the part of any of the Parties, except as set forth in this Section 9.2 and except for Fraud and breaches of this Agreement by such Party prior to the time of such termination that are willful, knowing and intentional breaches by such Party. Nothing in this Article IX shall be deemed to alter the provisions of Section 12.14 or otherwise impair the right of any Party to compel specific performance by another Party of its obligations under this Agreement in accordance with Section 12.14. If the transactions contemplated by this Agreement are terminated as provided herein, (x) Buyer shall return or destroy (at Buyer's option) all documents and copies and other materials received from or on behalf of the Company relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the Company, and (y) all such information shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement in accordance with this Article IX.

AARTICLE X **REMEDIES**

10.1 Survival. The representations and warranties of the Company and Seller set forth in this Agreement (including those in Article IV and Article V) or in any Certificate (other than

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the Company Fundamental Reps) shall survive the Closing and shall terminate and be of no further force or effect on the date that is twelve (12) months after the Closing Date. The representations and warranties of the Company and Seller consisting of Company Fundamental Reps, including in any Certificate, shall survive the Closing and shall terminate and be of no further force or effect once all liability hereunder relating thereto is barred by all applicable statutes of limitations. The representations and warranties of Buyer contained in this Agreement (including those in Article VI) or in any Certificate shall survive the Closing and shall terminate and be of no further force or effect on the date that is twelve (12) months after the Closing Date. All covenants and agreements contained in this Agreement, any Seller Document, any Company Document or any Buyer Document that require performance prior to or at the Closing shall terminate on the first anniversary of the Closing Date. All covenants and agreements contained in this Agreement, any Seller Document, any Company Document or any Buyer Document that require performance after the Closing shall survive the Closing and terminate in accordance with their respective terms or, with respect to any such covenant or agreement which does not specify a term, terminate on the second anniversary of the Closing Date, and the indemnification obligations of the Parties with respect thereto shall survive for a period of three (3) months thereafter. Notwithstanding the foregoing, if any Indemnitee makes a claim for indemnification under this Article X at any time prior to the applicable Limitation Date, then such claim (and only such claim) and the applicable representations, warranties, covenants and agreements, shall survive the applicable Limitation Date, solely for purposes of resolving such claim, until such time as such claim is fully and finally resolved. "**Limitation Date**" shall mean, with respect to any representation, warranty or covenant, the date on which such representation, warranty or covenant expires pursuant to this Section 10.1.

10.2 Indemnification.

(a) Subject to the provisions of this Article X, from and after the Closing, Buyer shall (and after the Closing shall cause the Company to) indemnify and hold harmless Seller and the officers, employees, directors, managers, members, partners, stockholders and Affiliates of Seller (collectively, the "**Seller Indemnitees**") from and against any and all losses, liabilities, claims, damages, penalties, fines, judgments, awards, settlements, costs, fees and expenses (including reasonable attorneys' fees) (collectively, "**Losses**") incurred by any of the Seller Indemnitees following the Closing based upon, relating to or arising from (i) any breach of or inaccuracy in the representations and warranties of Buyer contained in Article VI of this Agreement or any Certificate delivered by Buyer, or (ii) (A) any breach of or failure to perform the covenants or agreements of Buyer contained in this Agreement, and (B) any breach of or failure to perform the covenants or agreements of the Company contained in this Agreement to be performed following the Closing.

(b) Subject to the provisions of this Article X, from and after the Closing, Seller shall indemnify and hold harmless Buyer and the officers, employees, directors, managers, members, partners, stockholders, Affiliates and Subsidiaries of Buyer (including, following the Closing, the Company) (collectively, the "**Buyer Indemnitees**") from and against any and all Losses incurred by any of the Buyer Indemnitees based upon, relating to or arising from (i) any breach of or inaccuracy in the representations and warranties of the Company or Seller contained in Article IV and Article V or in any Certificate of this Agreement or any Certificate delivered by Seller or the Company, (ii) (A) any breach of or failure to perform the covenants or

agreements of Seller contained in this Agreement, and (B) any breach of or failure to perform the covenants or agreements of the Company contained in this Agreement to be performed prior to Closing, (iii) any Company Debt or Selling Expenses existing as of Closing but not included in the calculation of Final Company Debt or Final Selling Expenses, or (iv) the Indemnified Matters.

(c) Any amounts payable under this **Section 10.2** shall be treated as an adjustment to the Closing Date Consideration for all Tax purposes, unless otherwise required by applicable Tax Law.

10.3 Exclusive Remedy. Each Party acknowledges and agrees that, from and after the Closing, except for (a) actions seeking specific performance or similar equitable relief pursuant to **Section 12.14** (b) disputes under **Section 2.3** (which disputes will be resolved in accordance with the dispute mechanism set forth in **Section 2.3(b)**), and (c) claims based on Fraud, its sole and exclusive remedy (and the sole and exclusive remedy of the Buyer Indemnitees and the Seller Indemnitees) with respect to any and all rights, claims, proceedings and causes of action it may have against any other Party (including any Affiliate of Seller, Buyer, or the Company) resulting from or relating to the subject matter of this Agreement and the transactions contemplated hereby, whether arising under or based upon any Law (including Environmental Law) or otherwise (including any right, whether arising at law or in equity (including strict liability and tort), to seek indemnification, contribution, rescission, cost recovery, damages (including Losses), or any other recourse or remedy, including as may arise under common law) (each, excluding (i) actions seeking specific performance or similar equitable relief pursuant to **Section 12.14**, (ii) disputes under **Section 2.3** (which disputes will be resolved in accordance with the dispute mechanism set forth in **Section 2.3(b)**), and (iii) claims based on Fraud, a “**Transaction Matter**”), shall be pursuant to the indemnification provisions set forth in this **Article X**. In furtherance of the foregoing, each Party (each on its own behalf and on behalf of the Buyer Indemnitees, in the case of Buyer and the Company and the Seller Indemnitees, in the case of Seller) hereby (x) covenants and agrees that it will not, directly or indirectly, assert or otherwise bring, commence or institute, or cause to be brought, commenced or instituted, any Transaction Matter, other than an action for Losses pursuant to the indemnification provisions set forth in this **Article X** or an action seeking specific performance or similar equitable relief pursuant to **Section 12.14**, and (y) waives, from and after the Closing, to the fullest extent permitted under applicable Law, any and all Transaction Matters other than an action for Losses pursuant to the indemnification provisions set forth in this **Article X** or an action seeking specific performance or similar equitable relief pursuant to **Section 12.14**.

10.4 Limitations on Liability. Notwithstanding anything herein to the contrary, the indemnification rights and obligations provided for in **Section 10.2** are subject to the following limitations:

(a) **Sole Recourse.** Buyer acknowledges and agrees that, except for Fraud and claims related to any breach of or inaccuracy in the Company Fundamental Reps, Buyer Indemnitees’ sole and exclusive recourse following the Closing in respect of claims for any breach of or inaccuracy in the representations and warranties of the Company contained in **Article IV** of this Agreement or in any Certificate or Company Document delivered by the Company or of the Seller contained in **Article V** of this Agreement or in any Certificate or Seller

Document delivered by Seller (collectively, the “**Representation Matters**”), shall be under the R&W Insurance Policy and against the Indemnity Escrow Account and not under this Agreement or otherwise against the Company or Seller. Except in the case of Fraud or a breach of or inaccuracy in the Company Fundamental Reps, Buyer hereby (a) covenants and agrees that it will not, directly or indirectly, assert or otherwise bring, commence or institute, or cause to be brought, commenced or instituted, any Representation Matter against the Company or Seller and (b) waives with respect to Seller, from and after the Closing, to the fullest extent permitted under applicable Law, any and all Representation Matters. Nothing in this **Section 10.4(a)** shall limit or prohibit the right of Buyer to pursue recoveries under the R&W Insurance Policy or against the Indemnity Escrow Account.

(b) **Deductible on Seller’s Obligations.** Seller will not have any obligation under **Section 10.2(b)(i)** (other than with respect to Losses from a breach of any Company Fundamental Reps), unless and until the aggregate amount of Losses for which Seller is obligated thereunder exceeds \$2,125,000 (the “**Deductible**”), and then only for the amount of such Losses in excess of the Deductible, subject to the other terms of this **Article X**.

(c) **Certain Caps on Seller’s Obligations.** Seller’s maximum aggregate liability for Losses under **Section 10.2**

(b)(i) (other than with respect to Losses from a breach of any Company Fundamental Reps or Fraud), will not exceed an amount equal to \$2,125,000. Seller's maximum aggregate liability for Losses under **Section 10.2(b)(ii)**, **Section 10.2(b)(iii)** and **Section 10.2(b)(iv)** (other than with respect to Losses from Fraud) will not exceed the Indemnity Escrow Amount. Seller's maximum aggregate liability for Losses under **Section 10.2(b)(i)** for breaches of Company Fundamental Reps will not exceed the Base Purchase Price.

(d) **First Recourse Against the R&W Insurance Policy.** Buyer acknowledges and agrees that, except for Fraud, any claim by a Buyer Indemnitee following the Closing in respect of any breach of any Company Fundamental Reps shall be first brought under the R&W Insurance Policy to the extent coverage therefor is reasonably available under the R&W Insurance Policy, and second, if coverage is not reasonably available under the R&W Insurance Policy or is reasonably available but is insufficient to satisfy such claim, then the Buyer Indemnitees may proceed against Indemnity Escrow Amount pursuant to this **Article X**, and third, if the proceeds of the forgoing are insufficient to satisfy such claim, then the Buyer Indemnitees may proceed against Seller. Notwithstanding the foregoing, pursuing coverage under the R&W Insurance Policy is not a condition to a Buyer Indemnitee submitting a claim for a breach of any Company Fundamental Rep and tolling the Limitation Date with respect to such claim or initiating a claim against the applicable portion of the Indemnity Escrow Amount.

(e) **Treatment of Certain Claims.** Notwithstanding the foregoing terms, **Section 10.4** will not limit any Losses with respect to Fraud.

(f) **Other Recovery.** If any Losses sustained by an Indemnitee are covered by an insurance policy or an indemnification, contribution or similar obligation of another Person (other than an Affiliate of such Indemnitee), the Indemnitee shall use commercially reasonable efforts to collect such insurance proceeds or indemnity, contribution or similar payments. The amount of any Losses subject to indemnification under **Section 10.2** shall be reduced by the amounts actually recovered by any Indemnitee, as applicable, under applicable insurance policies

or an indemnification, contribution or similar obligation of another Person (other than an Affiliate of such Indemnitee) with respect to claims related to such Losses (net of any costs or expenses incurred in connection with the recovery or receipt of such insurance proceeds, including any increases in insurance premiums or retroactive premiums resulting therefrom), and if any Indemnitee receives such insurance proceeds or indemnity, contribution or similar payments after the settlement or payment of any indemnification claim under **Section 10.2**, as applicable, such Indemnitee shall refund to the Indemnitor the amount of such insurance proceeds (net of any costs or expenses incurred in connection with the recovery or receipt of such insurance proceeds, including any increases in insurance premiums or retroactive premiums resulting therefrom) or indemnity, contribution or similar payments, up to the amount received in connection with such indemnification claim. It is the intention of the Parties that no insurer or third party shall be entitled to any benefit or right it would not be entitled to receive in the absence of this paragraph.

(g) **Tax Benefit.** The amount of any Losses subject to indemnification under **Section 10.2** shall be calculated net of any Indemnity Tax Benefit actually realized by the Indemnitee on account of Losses in the taxable year of the Losses or the immediately succeeding taxable year and increased to take into account any Tax cost actually realized as a result of the receipt of the related indemnity payment. If the Indemnitee receives an Indemnity Tax Benefit relating to a Loss after an indemnification payment is made to him, her or it with respect to such Loss (and in the taxable year of the Loss or the immediately succeeding taxable year), the Indemnitee shall promptly pay to the Indemnitor that made such indemnification payment the amount of such Indemnity Tax Benefit at such time or times as and to the extent that such Indemnity Tax Benefit is actually realized or received by the Indemnitee. For purposes hereof, "**Indemnity Tax Benefit**" shall mean any refund of Taxes paid or reduction in the amount of cash Taxes paid or payable attributable to such indemnified Losses determined on a with-and-without basis and assuming that the Company recognizes all other items of income, gain, loss, deduction or credit and uses all net operating losses or net operating loss carryovers, carryforwards or carrybacks, before realizing any Indemnity Tax Benefit.

(h) **Damage Exclusions.** Notwithstanding anything to the contrary contained in this Agreement or provided for under any applicable Law, no Party shall be liable to any other Person for, either in contract or in tort, and Losses shall not include, any direct punitive damages of such other Person, unless awarded in a Third Party Claim.

(i) **Double Recovery.** No Buyer Indemnitees shall be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity to the extent that any Buyer Indemnitee has been compensated therefor pursuant to **Section 2.3** or otherwise.

(j) Materiality. Notwithstanding anything to the contrary contained in this Agreement, for purposes of determining (i) whether there has been a breach of any representation or warranty, and (ii) the amount of any Losses that are the subject matter of a claim for indemnification pursuant to this Article X, each representation and warranty in this Agreement, including the Schedules and exhibits hereto, and any Certificate, Seller Document, or Company Document shall be read without regard and without giving effect to the term, or, as applicable, clause containing, “material”, “materiality”, “Material Adverse Effect”, or “material adverse effect” or similar phrases or clauses contained in such representation or warranty.

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(k) Reserve. The Buyer Indemnitees’ right to indemnification pursuant to Section 10.2(b) shall be reduced by the amount of any reserve for the general category of items or matters similar in nature to the specific items or matters giving rise to such Loss which was taken into account in connection with the determination of the Final Closing Date Net Working Capital.

(j) Subrogation. Buyer, on behalf of Buyer and each other Buyer Indemnitee, agrees that the R&W Insurance Policy shall expressly exclude any right of subrogation in favor of the R&W Insurance Provider against Seller or any of Seller’s officers, managers, directors, equity holders, employees or agents under this Agreement or in respect of the transactions contemplated hereby, other than with respect to rights of recovery against any such Person in cases of Fraud.

10.5 Notice and Determination of Claims. If any Person entitled to indemnification hereunder (the “*Indemnitee*”) believes that it has sustained or incurred any Losses that are recoverable under this Article X (a “*Claim*”), such Indemnitee shall so notify the Party obligated to provide such indemnification (the “*Indemnitor*”) promptly in writing specifying the basis hereunder upon which the Indemnitee’s claim for indemnification is asserted and the facts and circumstances concerning such Claim, describing such Losses, the amount thereof, or a good faith estimate of the amount, and the method of computation of such Losses, all with reasonable particularity, in each case to the extent known (the “*Claim Notice*”). After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which a person shall be entitled under this Article X shall be determined: (a) by the written agreement between the Parties; (b) by a final judgment or decree of any court of competent jurisdiction; or (c) by any other means to which the Parties shall agree in writing. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. A failure by an Indemnitee to give timely notice as provided in this Section 10.5 or in Section 10.6 will not affect the rights or obligations of any Party except and only to the extent that, as a result of such failure, the Party entitled to receive such notice was materially damaged as a result of such failure to give timely notice vis-à-vis its rights and obligations hereunder or otherwise.

10.6 Third Party Claims

(a) Promptly following the receipt of notice of a Claim by a third party against a Buyer Indemnitee or Seller Indemnitee (a “*Third Party Claim*”), the party receiving the notice of the Third Party Claim shall provide the other party with a Claim Notice with respect to such Third Party Claim. Subject to receiving a confidentiality undertaking from the Indemnitor and any redactions that the Indemnitee determines are advisable for purposes of maintaining privilege, such Claim Notice shall be accompanied by copies of all documents and information relevant to the Third Party Claim and in the Indemnitee’s possession.

(b) Subject to Section 10.6(c) and Section 10.6(d), the Indemnitor shall (subject to the right of the R&W Insurance Providers) have the option to conduct and control, through counsel of its choosing, the defense, compromise and settlement of any Third Party Claim as to which indemnification is sought by any Indemnitee from any Indemnitor hereunder. The Indemnitor shall notify the Indemnitee in writing, as promptly as possible (but in any case before

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the earlier of (i) ten (10) Business Days prior to the due date for the answer or response to the Third Party Claim and (ii) thirty (30) days after receipt of the notice of Third Party Claim given by the Indemnitee to the Indemnitor under Section 10.6(a) of its election to assume the defense of such Third Party Claim. The Indemnitee may participate, through counsel chosen by it and at its own expense (except that the Indemnitor will be responsible for the fees and expenses of the Indemnitee’s separate counsel (but not more than one law firm per jurisdiction) if the Indemnitee reasonably concludes that counsel to the Indemnitor has a conflict of interest), in the defense of any such Third Party Claim as to which the Indemnitor has so elected to conduct and control the defense thereof. Should an Indemnitor assume the defense of a Third Party Claim in accordance with this Section 10.6, the Indemnitor shall

not be liable to the Indemnitee for any legal expenses incurred by the Indemnitee in connection with the investigation or defense thereof (except that the Indemnitor will be responsible for the fees and expenses of the Indemnitee's separate counsel (but not more than one law firm per jurisdiction) if the Indemnitee reasonably concludes that counsel to the Indemnitor has a conflict of interest).

(c) Notwithstanding anything in **Section 10.6(a)** to the contrary, in no event shall the Indemnitor be entitled to conduct and control the defense, compromise and settlement of any Third Party Claim if (i) such claim seeks (or there is a reasonable probability that such Third Party Claim could result in) an injunction, other equitable relief or any other non-monetary relief against the Indemnitee, (ii) in the event such claim were to be decided adversely to the Indemnitee, the aggregate amount of Losses associated therewith, together with all other outstanding Claims would reasonably be expected to exceed the aggregate liability limitations set forth in **Section 10.4(a)**, or (iii) such claim relates to or arises out of any allegedly criminal activity. Additionally, notwithstanding anything in **Section 10.6(a)** to the contrary, in no event shall the Indemnitor be entitled to consent to the entry of any judgment, compromise, settle or discharge any Third Party Claim without the prior written consent of the Indemnitee (such consent not to be unreasonably withheld, conditioned or delayed).

(d) Any party controlling the defense of any Third Party Claim shall conduct the defense of such Third Party Claim with reasonable diligence and shall keep the other party reasonably informed of the status thereof. Whether or not the Indemnitee shall control the defense of a Third Party Claim, the Indemnitee shall not consent to the entry of any judgment, or settle, compromise or discharge, any Third Party Claim without the prior written consent of the Indemnitor (such consent not to be unreasonably withheld, conditioned or delayed). The Indemnitee shall cooperate in connection with any Third Party Claim pursuant to this **Section 10.6** and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith; provided that, notwithstanding anything in this **Section 10.6** to the contrary, the Indemnitee shall not be required to take any action hereunder that would adversely affect, or require or constitute a waiver of, any attorney-client or other privilege.

(e) Notwithstanding any provision of this **Section 10.6** to the contrary, any Third Party Claim relating to Taxes will be subject to the applicable provisions of **Article XI**.

(f) Notwithstanding any provision of this **Section 10.6** to the contrary, Seller (i) shall have the sole right to control the prosecution and defense of any Claims related to the Indemnified Matters and (ii) may settle, compromise or discharge any Claims related to the

Indemnified Matters, without the prior written consent of the Buyer or the Company, if (x) the sole relief provided in the settlement or compromise is monetary damages that are either paid in full by Seller or due to the Company and (y) the compromise or settlement includes an unconditional and irrevocable complete release of the Company and the Buyer. Buyer must approve any settlement other than as provided in this **Section 10.6(f)(ii)**. Buyer may participate, through counsel chosen by it and at its own expense, in the defense of any Claims related to the Indemnified Matters. If the Company receives any proceeds as a result of the Indemnified Matters, the Company shall promptly pay the aggregate amount of any such proceeds to Seller by wire transfer of immediately available funds to such account as may be instructed by Seller.

10.7 Escrow. On the Indemnity Escrow Termination Date, the balance of the funds remaining in the Indemnity Escrow Account (less the aggregate portion of the remaining funds in the Indemnity Escrow Amount claimed by any Buyer Indemnitee pursuant to a Claim or Third Party Claim in accordance with this Agreement and the Escrow Agreement and not resolved prior to such date) shall be released to Seller. At any time following the Indemnity Escrow Termination Date, to the extent the available balance in the Indemnity Escrow Account exceeds the aggregate portion of the amount claimed by any Buyer Indemnitee pursuant to a Claim or Third Party Claim made in accordance with the terms of this Agreement and the Escrow Agreement, and not resolved prior to the time of determination, such excess shall be promptly released to Seller by wire transfer of immediately available funds to an account or accounts designated by Seller.

ARTICLE XI **TAX MATTERS**

11.1 Administration of Tax Matters. Seller shall prepare and timely file, or cause to be prepared and timely filed, with the relevant Taxing Authorities all federal, state and non-U.S. Tax Returns of the Company for any Pre-Closing Tax Periods that are required to be filed by the Company on or after the Closing Date. Such Tax Returns shall be prepared by treating items on

such Tax Returns in a manner consistent with the past practices of the Company with respect to such items, except as required by applicable Law. Seller shall, at least thirty (30) days prior to filing any such Tax Return, provide a copy of such Tax Return to Buyer. Buyer shall, within ten (10) days of receiving such Tax Return, advise Seller regarding any matters in such Tax Return with which it reasonably disagrees. In such case, Seller and Buyer shall reasonably cooperate with each other to reach a timely and mutually satisfactory solution to the disputed matters. To the extent permitted by applicable Law, the Parties agree that all losses, deductions, credits and any other Tax benefits available on account of the payment or incurrence of the Transaction Tax Deductions shall be reported in Pre-Closing Tax Periods.

11.2 Allocation of Liability for Taxes. In the case of any Taxes that are attributable to a Straddle Period, the amount of Taxes attributable to the Pre-Closing Tax Period shall be determined as follows:

(a) in the case of any Taxes based upon or related to income, receipts or payroll (including withholding), the portion attributable to the Pre-Closing Tax Period shall be determined on the basis of an interim closing of the books of Company as of the Closing Date, and the

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determination of the hypothetical Tax for such Pre-Closing Tax Period shall be determined on the basis of such interim closing of the books; and

(b) in the case of any other Taxes, the portion attributable to the Pre-Closing Tax Period shall be the amount of such Taxes for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the Pre-Closing Tax Period and the denominator of which is the number of days in the entire taxable period.

For the avoidance of doubt, any Taxes of the Company that have been paid or otherwise remitted to the applicable Taxing Authority before the Closing Date by the Company or the Seller, as the case may be, with respect to any Pre-Closing Tax Period or that reduce the Purchase Price as a result of inclusion in Final Closing Taxes Payable shall be credited toward any allocation of liability for Taxes by Seller under this **Article XI**.

11.3 Cooperation; Tax Actions.

(a) In connection with the preparation of Tax Returns and any Actions relating to the Tax liabilities imposed on the Company (or any successor thereof), Buyer, on the one hand, and Seller, on the other hand, shall cooperate fully with each other, as and to the extent reasonably requested by the other Party, including the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney or other materials necessary or helpful for the preparation of such Tax Returns or the conduct of, pursuit or defense of any Actions by Taxing Authorities as to the imposition of Taxes. Buyer shall and shall cause the Company to (i) retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations (including any extension thereof) for the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (ii) give Seller reasonable written notice prior to transferring, destroying or discarding any such books and records and shall allow Seller to take possession of such books and records.

(b) Buyer and Seller shall, upon request, use commercially reasonable efforts to obtain any certificate or other document from any Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereby).

11.4 Amended Tax Returns. Unless required by applicable Law, without Seller's prior written consent (which consent cannot be unreasonably withheld, conditioned, or delayed) neither Buyer nor the Company nor any of their respective Affiliates shall amend, refile, revoke or otherwise modify any Tax Return or Tax election of the Company (or any successor(s) thereof) with respect to a taxable period (or portion thereof) ending on or prior to the Closing Date.

11.5 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees (including any penalties and interest) incurred in connection with the sale of the Equity Securities to Buyer under this Agreement, shall be borne by Buyer, and Buyer shall file all necessary Tax Returns and other documentation with respect to all such

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Taxes and fees. Buyer shall promptly pay when due all such required amounts to the appropriate Taxing Authority.

11.6 Refunds and Credits. Following the Closing Date, the amount of any Tax refunds (including, for the avoidance of doubt, overpayments of estimated Taxes) or credits in lieu of a cash Tax refund (including any interest paid or credited with respect thereto) of, or with respect to, the Company relating to a Pre-Closing Tax Period or any portion of a Straddle Period ending on the Closing Date, will be payable to Seller. Buyer shall, at Seller's request, file (or cause to be filed) any Tax Return (including any amended Tax Return) for any Pre-Closing Tax Period or any portion of a Straddle Period ending on the Closing Date to claim any material refunds (or credits in lieu of a cash Tax refund) to which the Seller may be entitled hereunder. If the amount of Taxes for the Tax period ending on the Closing Date is less than the amount of estimated Taxes paid on or before the Closing Date, any excess will be payable to Seller as a refund hereunder. If at any time prior to paying over any Tax refund (or credits in lieu of a cash Tax refund) pursuant to this **Section 11.6**, the Company has any Excess Tax Liabilities, Buyer may, or may cause the Company to, first apply such refund (or credits in lieu of a cash Tax refund) (and any interest received in respect thereof) to reduce such Excess Tax Liabilities. To the extent such Tax refund (or credits in lieu of a cash Tax refund) exceeds the Excess Tax Liabilities, Buyer shall refund the excess to Seller hereunder. Buyer shall notify Seller of an intent to apply a refund pursuant to this **Section 11.6** thirty (30) days before such refund is applied. Such notice (the "**Excess Tax Liabilities Notice**") will include details of any related calculations and the nature of any Excess Tax Liabilities. If Seller does not respond within fifteen (15) days to the Excess Tax Liabilities Notice (or if Seller indicates earlier agreement), then Buyer or the Company may apply any refund as indicated in such Excess Tax Liabilities Notice. If Seller objects to the Excess Tax Liabilities Notice, then Buyer and Seller shall negotiate in good faith to resolve any objection.

ARTICLE XII

MISCELLANEOUS AND GENERAL

12.1 Disclaimer; No Additional Representations; No Reliance.

(a) BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES MADE BY THE COMPANY AND SELLER THAT ARE EXPRESSLY SET FORTH IN **Article IV** AND **Article V** OF THIS AGREEMENT OR ANY CERTIFICATE OR SELLER DOCUMENT OR COMPANY DOCUMENT, THE SELLER, THE COMPANY AND ANY OF THEIR AFFILIATES OR REPRESENTATIVES EXPRESSLY DISCLAIM AND MAKE NO, AND SHALL NOT BE DEEMED TO HAVE MADE ANY, REPRESENTATION OR WARRANTY OF ANY KIND (WHETHER EXPRESS OR IMPLIED) TO BUYER OR ANY OF ITS AFFILIATES OR REPRESENTATIVES. WITHOUT LIMITING THE FOREGOING AND FOR THE AVOIDANCE OF DOUBT, BUYER FURTHER ACKNOWLEDGES AND AGREES THAT NEITHER THE COMPANY NOR SELLER NOR ANY OF THEIR RESPECTIVE DIRECT OR INDIRECT AFFILIATES OR REPRESENTATIVES WILL HAVE OR BE SUBJECT TO ANY LIABILITY TO BUYER OR ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO BUYER, OR BUYER'S USE OF ANY CONFIDENTIAL INFORMATION MEMORANDUM OR SIMILAR DOCUMENTATION AND ANY

INFORMATION, DOCUMENT OR MATERIAL MADE AVAILABLE TO BUYER OR ITS AFFILIATES OR REPRESENTATIVES IN MANAGEMENT PRESENTATIONS OR ANY OTHER FORM IN EXPECTATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT (NOR HAS BUYER RELIED ON ANY SUCH INFORMATION IN DETERMINING TO ENTER INTO THIS AGREEMENT), IN EACH CASE, EXCEPT TO THE EXTENT SUBJECT TO ANY REPRESENTATION OR WARRANTY SET FORTH HEREIN OR IN ANY CERTIFICATE OR SELLER DOCUMENT OR COMPANY DOCUMENT.

(b) SELLER AND THE COMPANY ACKNOWLEDGE AND AGREE THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES MADE BY BUYER THAT ARE EXPRESSLY SET FORTH IN **Article VI** OF THIS AGREEMENT OR IN ANY CERTIFICATE, BUYER AND ITS AFFILIATES AND REPRESENTATIVES EXPRESSLY DISCLAIMS AND HAS NOT MADE AND SHALL NOT BE DEEMED TO HAVE MADE TO SELLER, THE COMPANY OR ANY OF THEIR RESPECTIVE AFFILIATES OR REPRESENTATIVES, ANY REPRESENTATION OR WARRANTY OF ANY KIND (WHETHER EXPRESS OR IMPLIED).

(c) IN CONNECTION WITH BUYERS' REVIEW AND ANALYSIS OF THE COMPANY, BUYER

(EITHER DIRECTLY OR THROUGH ITS REPRESENTATIVES) MAY HAVE RECEIVED FROM OR ON BEHALF OF THE COMPANY, AND/OR REPRESENTATIVES THEREOF CERTAIN ESTIMATES, FORECASTS, BUDGETS, PLANS AND PROJECTIONS (EITHER FINANCIAL OR OTHERWISE). BUYER ACKNOWLEDGES AND AGREES THAT (I) THERE ARE UNCERTAINTIES INHERENT IN ATTEMPTING TO MAKE SUCH ESTIMATES, FORECASTS, BUDGETS, PLANS AND PROJECTIONS, (II) BUYER IS FAMILIAR WITH SUCH UNCERTAINTIES, (III) BUYER HAS NOT RELIED UPON THE ESTIMATES, FORECASTS, BUDGETS, PLANS OR PROJECTIONS FURNISHED TO IT, (IV) BUYER IS TAKING FULL RESPONSIBILITY FOR MAKING ITS OWN EVALUATION OF THE ADEQUACY AND ACCURACY OF ALL ESTIMATES, FORECASTS, BUDGETS, PLANS AND PROJECTIONS SO FURNISHED TO BUYER (INCLUDING THE REASONABLENESS OF THE ASSUMPTIONS UNDERLYING SUCH ESTIMATES, FORECASTS, BUDGETS, PLANS AND PROJECTIONS), AND (V) THAT BUYER SHALL HAVE NO CLAIM, NOR SHALL IT OR ITS REPRESENTATIVES ASSERT ANY CLAIM, AGAINST THE COMPANY, SELLER OR ANY OF THEIR RESPECTIVE AFFILIATES OR REPRESENTATIVES WITH RESPECT THERETO, IN EACH CASE, EXCEPT TO THE EXTENT SUBJECT TO ANY REPRESENTATION OR WARRANTY SET FORTH HEREIN OR IN ANY CERTIFICATE OR SELLER DOCUMENT OR COMPANY DOCUMENT.

12.2 Expenses. Whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses (including all legal, accounting, broker, finder or investment banker fees) incurred in connection with this Agreement and the transactions contemplated hereby are to be paid by the Party incurring such expenses, except as expressly provided herein.

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12.3 Successors and Assigns. This Agreement is binding upon and inures to the benefit of the Parties and their respective successors and permitted assigns, but is not assignable by any Party without the prior written consent of the other Parties.

12.4 Third Party Beneficiaries. Other than **Section 7.5** and **Article X** (with respect to each Party's additional indemnitees) of this Agreement, each Party intends that this Agreement does not benefit or create any right or cause of action in or on behalf of any Person other than the Parties.

12.5 Further Assurances. The Parties shall execute such further instruments and take such further actions as may reasonably be necessary to carry out the purpose or intent of this Agreement.

12.6 Notices. Any notice or other communication provided for herein or given hereunder to a Party must be in writing, and will be deemed given (a) on the date sent by facsimile transmission or email with portable document format (.pdf) (in each case, electronically confirmed) (provided however, that no notice to Buyer will be effective or deemed to have been delivered to Buyer, if sent by facsimile transmission or email with .pdf), (b) on the date delivered when delivered in person, (c) four Business Days following mailing if mailed by first class registered or certified mail, postage prepaid, or (d) on the date following sending if sent by Federal Express or other overnight courier of national reputation, addressed as follows:

If to Buyer or the Company after the Closing:

Hormel Foods Corporation
1 Hormel Place
Austin, MN 55912-3680
Attention: Fred Halvin

with a copy to (which will not constitute notice):

Faegre Baker Daniels LLP
2200 Wells Fargo Center
Minneapolis, MN 55402-3901
Attention: Michael A. Stanchfield
Fax: (612) 766-1600
Email: mike.stanchfield@FaegreBD.com

If to the Company prior to the Closing or to Seller:

c/o Arbor Investments
676 N. Michigan Avenue, Ste. 3400
Chicago, IL 60611
Attention: Jason L. Booth
Fax: (312) 981-3779
Email: booth@arborpic.com

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with a copy to (which will not constitute notice):

DLA Piper LLP (US)
444 West Lake Street
Chicago, Illinois 60606
Attention: Brendan Head
Fax: (312) 630-5359
Email: brendan.head@dlapiper.com

or to such other address with respect to a Party as such Party notifies the other in writing as above provided.

12.7 Complete Agreement. This Agreement and the Schedules and Exhibits hereto and the other documents delivered by the Parties in connection herewith, together with the Confidentiality Agreement, contain the complete agreement between the Parties with respect to the transactions contemplated hereby and thereby and supersede all prior agreements and understandings between the Parties with respect to the subject matter of this Agreement. The Parties agree that prior drafts of this Agreement and the other documents contemplated by this Agreement will be deemed not to provide any evidence as to the meaning of any provision hereof or thereof or the intent of the Parties with respect hereto or thereto.

12.8 Captions. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement.

12.9 Amendment. This Agreement may be amended or modified only by an instrument in writing specifically designated as an amendment hereto, duly executed by the Company, Seller and Buyer.

12.10.2017Waiver. At any time prior to the Closing Date, the Company, Seller and Buyer may (a) extend the time for the performance of any of the obligations or other acts of the Parties, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (c) waive compliance with any of the agreements or conditions contained herein, to the extent permitted by applicable Law. Any agreement to any such extension or waiver will be valid only if set forth in a writing signed by the Company, Seller and Buyer. No failure of any Party to exercise any power given it under this Agreement, or to insist upon strict compliance with any provision of this Agreement, and no custom or practice at variance with the terms of this Agreement shall constitute a waiver of any such Party's right to demand strict compliance with the terms of this Agreement.

12.11 Governing Law; Jurisdiction; WAIVER OF JURY TRIAL. This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to any choice or conflict of laws provision or rule (whether of the State of Delaware or of any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. All Actions arising out of or relating to this Agreement shall be heard and determined exclusively in the Delaware Court of Chancery, or if the Delaware Court of Chancery lacks jurisdiction of the subject matter, the United States

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District Court for the District of Delaware, or if both the Delaware Court of Chancery and the United States District Court for the District of Delaware lack jurisdiction of the subject matter, any court of competent jurisdiction sitting in the State of Delaware. Consistent with the preceding sentence, each of the Parties hereby (a) submits to the exclusive jurisdiction of the above-named courts for the purpose of any Action arising out of or relating to this Agreement brought by any Party and (b) irrevocably waives,

and agrees not to assert by way of motion, defense, or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH OF THE PARTIES WAIVES AND COVENANTS THAT IT NOT WILL ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, ACTION, CLAIM, CAUSE OF ACTION, SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTY THAT THIS **SECTION 12.11** CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THE PARTIES ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT AND ANY OTHER AGREEMENTS RELATING HERETO OR CONTEMPLATED HEREBY. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS **SECTION 12.11** WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

12.12 Severability. So long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party, any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, Buyer, the Company and Seller shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

12.13 Counterparts. This Agreement and all other documents related hereto may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement. The execution of this Agreement and any agreement or instrument entered into in connection with this Agreement, and any amendment hereto or thereto, by any of the Parties may be evidenced by way of a facsimile, portable document format (.pdf) transmission, or other electronic transmission of such Party's signature, and such facsimile, portable document format (.pdf), or other electronically transmitted signature shall be deemed to constitute the original signature of such Party.

12.14 Enforcement of Agreement. The Parties agree that irreparable damage would occur if any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the Parties will be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to (a) any other remedy to which they are entitled hereunder, at law or in equity, prior to the Closing Date, or (b) any other remedy to which they are entitled hereunder after the Closing Date.

12.15 Other Definitional and Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) **Calculation of Time Period.** When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

(ii) **Dollars.** Any reference in this Agreement to \$ shall mean U.S. dollars.

(iii) **Exhibits/Schedules.** The Exhibits and Schedules to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or

Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

(iv) Gender and Number. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(v) Headings. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

(vi) Herein. The words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(vii) Including. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

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(viii) Law. Unless expressly stated herein to the contrary, reference to any Law means such Law as amended, modified, codified, replaced or reenacted, in whole or in part, and as in effect from time to time, including any rule or regulation promulgated thereunder.

(ix) Delivered, Furnished, Made Available. Any document described as being "delivered," "furnished," or "made available" shall be treated as such if a copy of such document has been put in the data room prepared by Seller no later than 5:00 p.m. central time on the day immediately preceding the date of this Agreement.

(b) The Parties have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

12.16 Disclosure Schedules. The Schedules have been arranged as separately-titled Schedules corresponding to the Sections of this Agreement. Notwithstanding anything to the contrary contained in the Schedules or in this Agreement or the omission of any cross reference thereto, the information and disclosures contained in any Schedule shall be deemed to be disclosed and incorporated by reference in any other Schedule as though fully set forth in such Schedule for which applicability of such information and disclosure is reasonably apparent on its face. The fact that any item of information is disclosed in any Schedule: (a) shall not be construed to mean that such information is required to be disclosed by this Agreement; (b) shall not be construed as or constitute an admission, evidence or agreement that a violation, right of termination, default, non-compliance, liability or other obligation of any kind exists with respect to any item, (c) with respect to the enforceability of Contracts with third-parties, the existence or non-existence of third party rights, the absence of breaches or defaults by third-parties, or similar matters or statements, is intended only to allocate rights and risks among the Parties and is not intended to be admissions against interests, give rise to any inference or proof of accuracy, be admissible against any Party by any Person who is not a Party, or give rise to any claim or benefit to any entity or person who is not a Party; (d) shall not be deemed or interpreted to broaden or to narrow the representations and warranties, obligations, covenants, conditions or agreements of the Company or Seller contained in this Agreement; and (e) does not waive any attorney-client privilege associated with such item or information or any protection afforded by the work-product doctrine with respect to any of the matters disclosed or discussed herein. Unless the context otherwise requires (for example, a Schedule corresponds to a representation and warranty that requires disclosure of information that is "material" or that would reasonably be expected to constitute a "Material Adverse Effect"), such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms "material" or "Material Adverse Effect" or other similar terms in this Agreement. Neither the specifications of any dollar amount in any representation, warranty or covenant contained in this Agreement nor the inclusion of any specific item in the Seller Disclosure Schedules and/or the Company Disclosure Schedules is intended to imply that such amount, or higher or lower amounts, or the item so included or other items, are or are not material, and no Person shall use the fact of the setting forth of any such amount or the inclusion of any such item in any dispute or controversy between the Parties as to whether any obligation, item or matter not described herein or included in the Seller

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Disclosure Schedules or the Company Disclosure Schedules is or is not material for purposes of this Agreement.

12.17 Independent Legal Counsel; Continuing Representation.

(a) Each Party has had the benefit of independent legal counsel with respect to the preparation of this Agreement. This Agreement expresses the mutual intent of the Parties and each Party has participated equally in its preparation. Accordingly, the rule on construction against the drafting party shall have no application to this Agreement. Each of the Parties hereby agrees, on its own behalf and on behalf of its directors, managers, members, partners, officers, employees and Affiliates, that DLA Piper LLP (US) may serve as counsel to each and any of Seller, its members, the members of its board of managers, and its Affiliates (individually and collectively, the “***Seller Group***”), on the one hand, and the Company, on the other hand, in connection with the negotiation, preparation, execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, and that, following consummation of the transactions contemplated hereby, DLA Piper LLP (US) (or any successor) may serve as counsel to the Seller Group or any director, manager, member, partner, officer, employee or Affiliate of any member of the Seller Group, in connection with any litigation, claim or obligation arising out of or relating to this Agreement or the transactions contemplated by this Agreement notwithstanding such representation or any continued representation of the Company, to the extent applicable Rules of Professional Conduct so allow. In connection with any representation of the Company expressly permitted pursuant to the prior sentence, Buyer hereby irrevocably waives and agrees not to assert, and agrees to cause the Company to irrevocably waive and not to assert any conflict of interest (other than conflicts of interest that are not waivable under applicable Rules of Professional Conduct) arising from or in connection with (i) DLA Piper LLP (US)’s prior representation of the Company and (ii) DLA Piper LLP (US)’s representation of Seller and its Affiliates prior to and after the Closing. As to any privileged attorney-client communications between DLA Piper LLP (US) and the Company prior to the Closing related to the negotiation, preparation, execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby (collectively, the “***Privileged Communications***”), Buyer and the Company, together with any of their respective Affiliates, successors or assigns, agree that no such party may use or rely on any of the Privileged Communications in any action against or involving any of the parties after the Closing.

(b) Buyer further agrees, on behalf of itself and, after the Closing, on behalf of the Company, that all privileged communications in any form or format whatsoever between or among DLA Piper LLP (US), on the one hand, and the Company or Seller, or any of their respective directors, officers, employees, or other Representatives, on the other hand, that relate in any way to the negotiation, documentation and consummation of the transactions contemplated by this Agreement, any alternative transactions to the transactions contemplated by this Agreement presented to or considered by the Company or Seller, or any dispute arising under this Agreement, unless finally adjudicated to be not privileged by a court of law (collectively, the “***Privileged Deal Communications***”), shall remain privileged after the Closing and that the Privileged Deal Communications and the expectation of client confidence relating thereto shall belong solely to Seller, shall be controlled by Seller and shall not pass to or be claimed by Buyer or the Company. Buyer agrees that it will not, and that it will cause the Company not to, (i) access

or use the Privileged Deal Communications, (ii) seek to have Seller waive the attorney client privilege or any other privilege, or otherwise assert that Buyer or the Company has the right to waive the attorney client privilege or other privilege applicable to the Privileged Deal Communications, or (iii) seek to obtain the Privileged Deal Communications from Seller or DLA Piper LLP (US).

(c) Notwithstanding the foregoing, in the event that a dispute arises between Buyer or the Company, on the one hand, and a third party other than Seller or its Affiliates, on the other hand, then Buyer or the Company may assert the attorney-client privilege to prevent the disclosure of the Privileged Deal Communications to such third party; provided, however, that to the extent such dispute relates in any way to this Agreement or the transactions contemplated hereby, neither Buyer nor the Company may waive such privilege without the prior written consent of Seller. If Buyer or the Company is legally required by governmental order or otherwise to access or obtain a copy of all or a portion of the Privileged Deal Communications, then Buyer shall immediately (and, in any event, within two (2) Business Days) notify Seller in writing (including by making specific reference to this **Section 12.17(d)**) so that Seller can seek at Seller’s sole cost and expense, a protective order, and Buyer agrees to use commercially reasonable efforts to assist therewith.

(d) Seller agrees, on behalf of itself and its Affiliates, that all communications (including all privileged communications) in any form or format whatsoever between or among DLA Piper LLP (US), on the one hand, and the Company

and any of their respective directors, officers, employees, Affiliates (excluding Seller) or other Representatives, on the other hand, to the extent they do not relate in any way to the negotiation, documentation and consummation of the transactions contemplated by this Agreement, any alternative transactions to the transactions contemplated by this Agreement presented to or considered by the Company or Seller, or any dispute arising under this Agreement (collectively, the “*Non-Deal Communications*”), shall, to the extent privileged, remain privileged after the Closing and that the Non-Deal Communications and the expectation of client confidence relating thereto shall belong solely to the Company, shall be controlled by the Company and shall not pass to or be claimed or retained by Seller or any of its Affiliates (and therefore, after the Closing, Seller shall not have the right to assert the attorney-client privilege to prevent the disclosure of the Non-Deal Communications to Buyer and the Company). Effective as of the Closing, in connection with any representation of the Company relating to a dispute between Buyer or the Company, on the one hand, and a third party other than Seller or its Affiliates, on the other hand, in each case that does not relate in any way to this Agreement or the transactions contemplated hereby, Seller, on behalf of itself and its Affiliates, hereby irrevocably waives and agrees not to assert any conflict of interest arising from or in connection with DLA Piper LLP (US)’s representation of Seller and its Affiliates prior to and after the Closing (other than for conflicts of interest that are not waivable under applicable Rules of Professional Conduct).

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the undersigned have duly executed this Agreement to be effective as of the day and year first above written.

BUYER:

HORMEL FOODS CORPORATION

By: /s/ FRED D. HALVIN
Name: FRED D. HALVIN
Title: VP Corporate Development

Signature Page to Securities Purchase Agreement

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement to be effective as of the day and year first above written.

COMPANY:

COLUMBUS MANUFACTURING, INC.

By: /s/ GREGORY J. PURCELL
Name: GREGORY J. PURCELL
Title: Director

SELLER:

1492 ACQUISITION LLC

By: /s/ GREGORY J. PURCELL
Name: GREGORY J. PURCELL
Title: Manager

[\(Back To Top\)](#)**Section 3: EX-13.1 (EX-13.1)**

Exhibit 13.1

Selected Financial Data

(in thousands, except per share amounts)	2017	2016*	2015	2014	2013
Operations					
Net Sales	\$9,167,519	\$9,523,224	\$9,263,863	\$9,316,256	\$8,751,654
Net Earnings	847,103	890,517	687,264	606,026	530,076
Net Earnings Attributable to Hormel Foods Corporation	846,735	890,052	686,088	602,677	526,211
% of net sales	9.24%	9.35%	7.41%	6.47%	6.01%
EBIT ⁽¹⁾	1,280,101	1,323,430	1,066,144	928,271	802,124
% of net sales	13.96%	13.90%	11.51%	9.96%	9.17%
EBITDA ⁽²⁾	1,411,078	1,455,398	1,199,578	1,058,315	926,974
% of net sales	15.39%	15.28%	12.95%	11.36%	10.59%
Return on Invested Capital ⁽³⁾	16.35%	19.04%	15.62%	15.79%	14.92%
Financial Position					
Total Assets	\$6,975,908	\$6,370,067	\$6,139,831	\$5,455,619	\$4,915,880
Long-term Debt less Current Maturities	250,000	250,000	250,000	250,000	250,000
Hormel Foods Corporation Shareholders' Investment	4,935,907	4,448,006	3,998,198	3,605,678	3,311,040
Selected Cash Flow Data					
Depreciation and Amortization	\$ 130,977	\$ 131,968	\$ 133,434	\$ 130,044	\$ 124,850
Capital Expenditures	221,286	255,524	144,063	159,138	106,762
Acquisitions of Businesses	520,463	280,889	770,587	466,204	665,415
Share Repurchase	94,487	87,885	24,928	58,937	70,819
Dividends Paid	346,010	296,493	250,834	203,156	174,320
Common Stock**					
Weighted-Average Shares Outstanding – Basic	528,363	529,290	528,143	527,624	528,635
Weighted-Average Shares Outstanding – Diluted	539,116	542,473	541,002	540,431	540,449
Earnings per Share – Basic	\$ 1.60	\$ 1.68	\$ 1.30	\$ 1.14	\$ 1.00
Earnings per Share – Diluted	1.57	1.64	1.27	1.12	0.97
Dividends per Share	0.68	0.58	0.50	0.40	0.34
Hormel Foods Corporation Shareholders' Investment per Share	9.34	8.42	7.57	6.84	6.28

The Company provides EBIT, EBITDA, and Return on Invested Capital because these measures are useful to investors as indicators of operating strength and performance relative to prior years, and are typically used to benchmark our Company's performance against other companies in our industry. Management uses EBIT as a component of certain executive incentive plans but does not utilize EBITDA for any material purpose. These measures are calculated as follows:

(in thousands)	2017	2016*	2015	2014	2013
(1) EBIT:					
Net Earnings Attributable to Hormel Foods Corporation	\$ 846,735	\$ 890,052	\$ 686,088	\$ 602,677	\$ 526,211
Plus: Income Tax Expense	431,542	426,698	369,879	316,126	268,431
Plus: Interest Expense	12,683	12,871	13,111	12,704	12,453
Less: Interest and Investment Income	10,859	6,191	2,934	3,236	4,971
EBIT	\$1,280,101	\$1,323,430	\$1,066,144	\$ 928,271	\$ 802,124
(2) EBITDA:					
EBIT per (1) above	1,280,101	1,323,430	1,066,144	928,271	802,124
Plus: Depreciation and Amortization	130,977	131,968	133,434	130,044	124,850
EBITDA	\$1,411,078	\$1,455,398	\$1,199,578	\$1,058,315	\$ 926,974
(3) Return on Invested Capital:					
EBIT per (1) above	1,280,101	1,323,430	1,066,144	928,271	802,124
X (1 – Effective Tax Rate***)	66.25%	67.59%	64.97%	65.59%	66.22%
After-tax EBIT	\$ 848,067	\$ 894,506	\$ 692,674	\$ 608,887	\$ 531,166
Divided by: Total Debt	250,000	250,000	435,000	250,000	250,000

Hormel Foods Corporation Shareholders' Investment	4,935,907	4,448,006	3,998,198	3,605,678	3,311,040
Total Debt and Shareholders' Investment	\$5,185,907	\$4,698,006	\$4,433,198	\$3,855,678	\$3,561,040
Return on Invested Capital	16.35%	19.04%	15.62%	15.79%	14.92%

* Fiscal 2016 included 53 weeks.

** Shares and per share figures have been restated to reflect the two-for-one stock split distributed on February 9, 2016.

*** Excluding earnings attributable to noncontrolling interests.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

Fiscal 2017: While the year did not progress as anticipated, three of our five segments – Grocery Products, Refrigerated Foods, and International & Other – delivered record earnings, despite one less week, and helped us achieve the second-best year of earnings in our history. The growth in these segments partially offset declines at Jennie-O Turkey Store (JOTS) and Specialty Foods. Sales for the year were \$9.2 billion, a 4 percent decline from last year. Organic net sales¹ were up 3 percent with four of five segments contributing to the sales growth. Diluted earnings per share for fiscal 2017 were \$1.57, a 4 percent decline compared to \$1.64 per share last year. Fiscal 2017 net earnings attributable to the Company fell 5 percent to \$846.7 million, compared to net earnings of \$890.1 million last year. (¹see explanation of non-GAAP financial measures in the Consolidated Results section).

Financial performance for the Grocery Products segment was led by sales growth of *Wholly Guacamole*[®] dips, *Herdez*[®] salsas, and the *SPAM*[®] family of products. These growth areas, along with a full year of Justin's, offset higher input costs experienced during the year. Refrigerated Foods segment results were tempered by the divestiture of Farmer John in January 2017 and record high prices for numerous beef and pork raw materials. The inclusion of the Fontanini acquisition in addition to solid gains in many foodservice value-added products including *Hormel*[®] *Bacon I*[™] fully cooked bacon and *Hormel*[®] pepperoni and retail sales of *Hormel*[®] *Natural Choice*[®] products benefited Refrigerated Foods. Results for the JOTS segment were impacted by industry oversupply and corresponding low commodity prices. Increased competition from both within the turkey industry and alternative proteins affected results at JOTS. Specialty Foods segment profit declined due to increased competitive activity, which drove lower sales of *Muscle Milk*[®] ready-to-drink protein beverages. The International & Other segment results exceeded last year due to the addition of the Ceratti acquisition and improved contributions from exports of fresh pork and *SPAM*[®] luncheon meat.

Our financial performance continued to generate record operating cash flows, which we reinvested into the business through capital expenditures and acquisitions while returning a record amount of cash back to shareholders in the form of dividends and share repurchases. We completed the acquisition of Fontanini for \$427.9 million and Ceratti for \$103.5 million. Fontanini is a branded foodservice business specializing in authentic Italian meats and sausages, pizza toppings, and meatballs. Fontanini complements our growing foodservice business, gives us more production capacity, and reduces the need for capital expenditures at our current facilities. Ceratti, an authentic, family-owned business in Brazil, produces premium, value-added deli products and gives us an entry into the fast-growing Brazilian market. Subsequent to the end of the year, we completed the acquisition of Columbus Craft Meats, an authentic, premium deli meat and salami company.

This strategic acquisition positions us as a total deli solutions provider and enhances our other strong deli brands such as *Hormel*[®], *Jennie-O*[®], *Applegate*[®], and *DiLusso*[®]. In connection with the purchase, the Company borrowed \$375.0 million under a term loan facility and \$375.0 million under a revolving credit facility. We repurchased 2.7 million shares of common stock in fiscal 2017, spending \$94.5 million. The annual dividend for 2018 will be \$0.75 per share and marks the 52nd consecutive year of dividend increases, representing an increase of 10 percent after a 17 percent increase last year.

Fiscal 2018 Outlook: With the addition of three new acquisitions, numerous strategic investments in value-added capacity, an innovation pipeline full of exciting new products, and strong fundamentals throughout our business, we are confident about sales and earnings growth for fiscal 2018. To support our growth, we reorganized our supply chain and combined the Grocery Products and Specialty Foods segments effective with the start of fiscal 2018. Both reorganizations are expected to create cost and revenue synergies. The contributions from branded products such as the *SPAM*[®] family of products, *Skipppy*[®] peanut butter, *Wholly Guacamole*[®] dips, *Herdez*[®] salsas, and *Muscle Milk*[®] protein nutrition products are expected to drive improved Grocery Products results. While we anticipate a reduction in the commodity profits in Refrigerated Foods, we expect growth in our value-added businesses, along with the acquisitions of Fontanini and Columbus, to more than offset the declines. We expect the JOTS segment to continue value-added sales and volume growth, led by *Jennie-O*[®] lean ground turkey, *Jennie-O*[®] *Oven Ready*[®] products, and turkey burgers. We expect a modest decrease in segment profit as the business continues to navigate difficult industry conditions. We expect the International & Other segment to grow sales and earnings through the addition of the Ceratti acquisition and the expansion of our business in China, aided by our new plant in Jiaxing, China, along with increased sales of the *SPAM*[®] and *Skipppy*[®] families of products.

We also plan to support numerous iconic brands with continued advertising in fiscal 2018. Strong cash flow, along with a solid balance sheet, will enable us to continue to return cash to shareholders while investing capital for growth of our business through internal investment and strategic acquisitions.

Critical Accounting Policies

This discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements of Hormel Foods Corporation (the Company), which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company evaluates, on an ongoing basis, its estimates for reasonableness as changes

occur in its business environment. The Company bases its estimates on experience, the use of independent third-party specialists, and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those reflective of significant judgments, estimates, and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes the following are its critical accounting policies:

Revenue Recognition: The Company recognizes sales when title passes upon delivery of its products to customers, net of applicable provisions for discounts, returns, and allowances. Products are delivered upon receipt of customer purchase orders with acceptable terms, including price and reasonably assured collectability.

The Company offers various sales incentives to customers and consumers. Incentives offered off-invoice include prompt pay allowances, will call allowances, spoilage allowances, and temporary price reductions. These incentives are recognized as reductions of revenue at the time title passes. Coupons are used as an incentive for consumers to purchase various products. The coupons reduce revenues at the time they are offered, based on estimated redemption rates. Promotional contracts are performed by customers to promote the Company's products to consumers. These incentives reduce revenues at the time of performance through direct payments and accrued promotional funds. Accrued promotional funds are unpaid liabilities for promotional contracts in process or completed at the end of a quarter or fiscal year. Promotional contractual accruals are based on agreements with customers for defined performance. The liability relating to these agreements is based on a review of the outstanding contracts on which performance has taken place but for which the promotional payments relating to such contracts remain unpaid as of the end of the fiscal year. The level of customer performance and the historical spend rate versus contracted rates are significant estimates used to determine these liabilities.

Inventory Valuation: The Company values its pork inventories at the lower of cost or USDA market prices (primal values). When the carcasses are disassembled and transferred from primal processing to various manufacturing departments, the primal values, as adjusted by the Company for product specifications and further processing, become the basis for calculating inventory values. Turkey raw materials are represented by the deboned meat quantities. The Company values these raw materials using a concept referred to as the "meat cost pool." The meat cost pool is determined by combining the cost to grow turkeys with processing costs, less any net sales revenue from by-products created from the processing and not used in producing Company products. The Company has developed a series of ratios using historical data and current market conditions (which themselves involve estimates and judgment

determinations by the Company) to allocate the meat cost pool to each meat component. Substantially all inventoriable expenses, meat, packaging, and supplies are valued by the average cost method.

Goodwill and Other Indefinite-Lived Intangibles: Estimating the fair value of the Company's goodwill reporting units and intangible assets requires significant judgement. Accordingly, the Company obtains the assistance of third-party valuation specialists who utilize available historical information along with future expectations to value the assets. Determining the useful life of an intangible asset also requires judgement. Certain acquired brands are expected to have indefinite lives based on their history and the Company's plans to continue to support and build the brands. Other acquired assets such as customer relationships, are expected to have determinable useful lives.

Indefinite-lived intangible assets are originally recorded at their estimated fair values at the date of acquisition and the residual of the purchase price is recorded to goodwill. Goodwill and other indefinite-lived intangible assets are allocated to reporting units that will receive the related sales and income. Goodwill and indefinite-lived intangible assets are tested annually for impairment, or more frequently if impairment indicators arise.

In conducting the annual impairment test for goodwill, the Company has the option to first assess qualitative factors to determine whether it is more likely than not (> 50% likelihood) that the fair value of any reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is required. Alternatively, the Company may elect not to perform the qualitative assessment and proceed directly to the quantitative impairment test.

Prior to the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeded its fair value, the Company completed the second step of the test to determine the amount of goodwill impairment loss, if any, to be recognized. In the second step, the Company estimated an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The impairment loss was equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill. In the fourth quarter of fiscal 2017, the Company adopted Accounting Standards Update (ASU) 2017-04, *Simplifying the Test for Goodwill Impairment*. As a result, the Company recognizes an impairment loss equal to the difference between the carrying value and estimated fair value of the reporting unit if the carrying value of a reporting unit exceeds its fair value.

In conducting a qualitative assessment, the Company analyzes actual and projected growth trends for net sales, gross margin, and segment profit for each reporting unit, as well as historical performance versus plan and the results of prior quantitative tests performed. Additionally, the Company assesses critical areas that may impact its business, including macroeconomic conditions and the related impact, market-related exposures,

any plans to market for sale all or a portion of their business, competitive changes, new or discontinued product lines, changes in key personnel, or any potential risks to their projected financial results.

for fiscal years 2017, 2016, or 2015. Four tradenames were determined to have fair values exceeding their carrying values by less than a 10 percent cushion. Sales related to these tradenames were impacted by supply chain challenges and an increased competitive market

If performed, the quantitative goodwill impairment test is performed at the reporting unit level. First, the fair value of each reporting unit is compared to its corresponding carrying value, including goodwill. The fair value of each reporting unit is estimated using discounted cash flow valuations (Level 3), which incorporate assumptions regarding future growth rates, terminal values, and discount rates. The estimates and assumptions used consider historical performance and are consistent with the assumptions used in determining future profit plans for each reporting unit, which are approved by the Company's Board of Directors. If the quantitative assessment results in the carrying value exceeding the fair value of any reporting unit, then the results from the quantitative analysis will be relied upon to determine both the existence and amount of goodwill impairment. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

During the fourth quarter of fiscal 2017, the Company completed its annual impairment tests and elected to perform a quantitative assessment of goodwill. As a result of the quantitative testing during fiscal 2017 and qualitative testing during fiscal years 2016 and 2015, no impairment charges were recorded other than for the Company's Diamond Crystal Brands (DCB) assets divested during fiscal 2016.

In conducting the annual impairment test for its indefinite-lived intangible assets, the Company first performs a qualitative assessment to determine whether it is more likely than not (> 50% likelihood) that an indefinite-lived intangible asset is impaired. If the Company concludes this is the case, then a quantitative test for impairment must be performed. Otherwise, the Company does not need to perform a quantitative test.

In conducting the initial qualitative assessment, the Company analyzes growth rates for historical and projected net sales and the results of prior quantitative tests performed. Additionally, the Company assesses critical areas that may impact its intangible assets or the applicable royalty rates to determine if there are factors that could indicate impairment of the asset.

If performed, the quantitative impairment test compares the fair value to the carrying value of the indefinite-lived intangible asset. The fair value of indefinite-lived intangible assets is primarily determined on the basis of estimated discounted value, using the relief from royalty method (Level 3). This method incorporates assumptions regarding future sales projections and discount rates. If the carrying value exceeds fair value, the indefinite-lived intangible asset is considered impaired and an impairment charge is recorded. Even if not required, the Company periodically elects to perform the quantitative test in order to confirm the qualitative assessment.

The Company elected to perform a quantitative assessment in the fourth quarter of fiscal 2017. No material impairment charges were recorded for indefinite-lived intangible assets

environment. Management has implemented strategies to address these events, however, adverse events in the future could result in a decline in fair value that could trigger a future impairment charge for a portion of these indefinite-lived intangible assets. A 10 percent decline in sales or a 10 percent increase in the discount rate would result in an impairment of approximately \$20 – \$30 million.

Employee Benefit Plans: The Company incurs expenses relating to employee benefits, such as noncontributory defined benefit pension plans and post-retirement health care benefits. In accounting for these employment costs, management must make a variety of assumptions and estimates including mortality rates, discount rates, overall compensation increases, expected return on plan assets, and health care cost trend rates. The Company considers historical data as well as current facts and circumstances when determining these estimates. The Company uses third-party specialists to assist management in the determination of these estimates and the calculation of certain employee benefit expenses and the outstanding obligation.

Income Taxes: The Company records income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Changes in enacted tax rates are reflected in the tax provision as they occur.

The Company computes its provision for income taxes based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company's tax positions and determining its annual tax provision. While the Company considers all of its tax positions fully supportable, the Company is occasionally challenged by various tax authorities regarding the amount of taxes due. The Company recognizes a tax position in its financial statements when it is more likely than not the position will be sustained upon examination, based on the technical merits of the position. This position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A change in judgment related to the expected ultimate resolution of uncertain tax positions will be recognized in earnings in the quarter of such change.

Contingent Liabilities: At any time, the Company may be subject to investigations, legal proceedings, or claims related to the on-going operation of its business, including claims both by and against the Company. Such proceedings typically involve claims related to product liability, contract disputes, wage and hour laws, employment practices, or other actions brought by employees, consumers, competitors, or suppliers. The Company routinely assesses the likelihood of any adverse outcomes related to these matters on a case by case basis, as well as the potential ranges of losses and fees. The Company establishes accruals for its potential exposure, as appropriate, for claims against the Company when losses become probable and reasonably estimable. Where the Company is able to

reasonably estimate a range of potential losses, the Company records the amount within that range which constitutes the Company's best estimate. The Company also discloses the nature and range of loss for claims against the Company when losses are reasonably possible and material. These accruals and disclosures are determined based on the facts and circumstances related to the individual cases and require estimates and judgments regarding the interpretation of facts and laws, as well as the effectiveness of strategies or factors beyond our control.

Results of Operations

OVERVIEW

The Company is a processor of branded and unbranded food products for retail, foodservice, and fresh product customers. The Company operates in the following five reportable segments:

Grocery Products

This segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market. This segment also includes the results from the Company's MegaMex Foods, LLC (MegaMex) joint venture.

Refrigerated Foods

This segment consists primarily of the processing, marketing, and sale of branded and unbranded pork, beef, chicken, and turkey products for retail, foodservice, and fresh product customers.

Jennie-O Turkey Store

This segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and fresh product customers.

Specialty Foods

This segment consists of the processing, marketing, and sale of nutritional and private label shelf-stable products to retail, foodservice, and industrial customers.

International & Other

This segment includes Hormel Foods International, which manufactures, markets, and sells Company products internationally. This segment also includes the results from the Company's international joint ventures.

The Company's fiscal year consisted of 52 weeks in fiscal years 2017 and 2015. Fiscal 2016 consisted of 53 weeks.

FISCAL YEARS 2017 AND 2016:**Consolidated Results****Net Earnings and Diluted Earnings per Share**

(in thousands, except per share amounts)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Net earnings	\$218,154	\$243,940	(10.6)	\$846,735	\$890,052	(4.9)
Diluted earnings per share	0.41	0.45	(8.9)	1.57	1.64	(4.3)

Volume and Net Sales

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	1,275,270	1,420,986	(10.3)	4,770,485	5,192,027	(8.1)
Organic volume ⁽¹⁾	1,250,659	1,231,044	1.6	4,658,990	4,588,581	1.5
Net sales	\$2,492,608	\$2,627,941	(5.1)	\$9,167,519	\$9,523,224	(3.7)
Organic net sales ⁽¹⁾	2,439,006	2,325,779	4.9	8,970,540	8,710,616	3.0

⁽¹⁾ COMPARISON OF U.S. GAAP TO NON-GAAP FINANCIAL MEASUREMENTS

The non-GAAP adjusted financial measurements of organic volume and organic net sales are presented to provide investors additional information to facilitate the comparison of past and present operations. The Company believes these non-GAAP financial measurements provide useful information to investors because they are the measurements used to evaluate performance on a comparable year-over-year basis. Non-GAAP measurements are not intended to be a substitute for U.S. GAAP measurements in analyzing financial performance. These non-GAAP measurements are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

Organic net sales and organic volume are defined as net sales and volume excluding the impact of acquisitions, divestitures and the impact of the 53rd reporting week in 2016. Organic net sales and organic volume exclude the impacts of the acquisition of Justin's (May 2016) in Grocery Products, the acquisition of Fontanini Italian Meats and Sausages (August 2017) and the divestiture of Farmer John (January 2017) in Refrigerated Foods, the divestiture of Diamond Crystal Brands (May 2016) from Specialty Foods, and the acquisition of Ceratti (August 2017) in International. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in the fourth quarter and the full year of fiscal 2016 and fiscal 2017.

**4th Quarter
Volume (lbs.)**

(in thousands)	FY 2017				FY 2016				
	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	249,141	-	-	249,141	258,386	-	(18,456)	239,930	3.8
Refrigerated Foods	547,196	(16,727)	-	530,469	658,506	(95,246)	(40,233)	523,027	1.4
Jennie-O Turkey Store	270,175	-	-	270,175	291,587	-	(20,828)	270,759	(0.2)
Specialty Foods	117,344	-	-	117,344	127,053	-	(9,075)	117,978	(0.5)
International & Other	91,414	(7,884)	-	83,530	85,454	-	(6,104)	79,350	5.3
Total Volume	1,275,270	(24,611)	-	1,250,659	1,420,986	(95,246)	(94,696)	1,231,044	1.6

Net Sales

(in thousands)	FY 2017				FY 2016				
	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	\$ 489,169	\$ -	\$ -	\$ 489,169	\$ 491,724	\$ -	\$ (35,123)	\$ 456,601	7.1

Refrigerated Foods	1,166,661	(44,450)	–	1,122,211	1,237,276	(123,256)	(79,573)	1,034,447	8.48
Jennie-O Turkey Store	484,856	–	–	484,856	541,409	–	(38,672)	502,737	(3.6)
Specialty Foods	196,792	–	–	196,792	216,674	–	(15,477)	201,197	(2.2)
International & Other	155,130	(9,152)	–	145,978	140,858	–	(10,061)	130,797	11.6
Total Net Sales	\$2,492,608	\$(53,602)	\$ –	\$2,439,006	\$2,627,941	\$(123,256)	\$(178,906)	\$2,325,779	4.9

Full Year Volume (lbs.)

(in thousands)	FY 2017				FY 2016				
	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	916,643	(6,430)	–	910,213	906,202	–	(18,456)	887,746	2.5
Refrigerated Foods	2,180,407	(16,727)	(80,454)	2,083,226	2,493,358	(375,017)	(40,233)	2,078,108	0.2
Jennie-O Turkey Store	890,518	–	–	890,518	902,073	–	(20,828)	881,245	1.1
Specialty Foods	458,022	–	–	458,022	583,267	(133,733)	(9,075)	440,459	4.0
International & Other	324,895	(7,884)	–	317,011	307,127	–	(6,104)	301,023	5.3
Total Volume	4,770,485	(31,041)	(80,454)	4,658,990	5,192,027	(508,750)	(94,696)	4,588,581	1.5

Net Sales

(in thousands)	FY 2017				FY 2016				
	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	\$1,761,105	\$(43,146)	\$ –	\$1,717,959	\$1,684,756	\$ –	\$ (35,123)	\$1,649,633	4.1
Refrigerated Foods	4,403,732	(44,450)	(100,231)	4,259,051	4,647,173	(493,618)	(79,573)	4,073,982	4.5
Jennie-O Turkey Store	1,663,160	–	–	1,663,160	1,740,968	–	(38,672)	1,702,296	(2.3)
Specialty Foods	794,508	–	–	794,508	939,134	(140,084)	(15,477)	783,573	1.4
International & Other	545,014	(9,152)	–	535,862	511,193	–	(10,061)	501,132	6.9
Total Net Sales	\$9,167,519	\$(96,748)	\$(100,231)	\$8,970,540	\$9,523,224	\$(633,702)	\$(178,906)	\$8,710,616	3.0

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The impact of one less week in fiscal 2017 was the primary driver for lower sales in the fourth quarter. International & Other posted sales growth in the fourth quarter while the other four segments showed declines. For the full year, sales declined in Refrigerated Foods and Specialty Foods due to the divestitures of Farmer John and DCB, respectively. JOTS sales were lower for the fourth quarter and full year due to the impact of record low commodity prices. Grocery Products sales increased for the full year related to the acquisition of *Justin's*[®] specialty nut butters.

Moving into fiscal 2018, the Company expects continued growth through its recent acquisitions, growth of innovative products, and continued growth of value-added products. The Company also expects sales growth from products such as *Wholly Guacamole*[®] dips, *Herdez*[®] salsas, and *Muscle Milk*[®] protein beverages in the Grocery Products segment, which will include products from our Specialty Foods segment in fiscal 2018. The acquisitions of the *Fontanini*[®] and *Columbus*[®] brands in addition to increased foodservice sales of *Hormel*[®] *Bacon 1*[™] fully cooked bacon and retail sales of *Hormel*[®] *Natural Choice*[®] products are anticipated to drive growth in Refrigerated Foods. JOTS should benefit from an expected increase in turkey commodity markets and increased demand for *Jennie-O*[®] branded products. The International & Other segment is expected to show growth through the acquisition of *Ceratti*[®] branded products in Brazil, increased export sales, and sales growth in the Company's China operations.

Cost of Products Sold

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Cost of products sold	\$1,981,054	\$2,029,421	(2.4)	\$7,164,356	\$7,365,049	(2.7)

The decrease in cost of products sold for the fourth quarter of fiscal 2017 is primarily a result of the divestiture of Farmer John, which was partially offset by the acquisitions of Fontanini and Ceratti. For the full year, cost of products sold decreased due to the divestiture of Farmer John.

Gross Profit

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Gross profit	\$511,554	\$598,520	(14.5)	\$2,003,163	\$2,158,175	(7.2)
Percentage of net sales	20.5	22.8		21.8	22.7	

Lower margins from the JOTS, Refrigerated Foods, Grocery Products, and Specialty Foods segments in the fourth quarter of fiscal 2017 more than offset improved results in the International & Other segment. The lower gross profit for JOTS was due to industry oversupply, resulting in lower commodity meat prices. Refrigerated Foods and Grocery Products segment margins were impacted by higher input costs. Gross margins in the Specialty Foods segment were lower due to increased competitive activity for *Muscle Milk*[®] ready-to-drink protein beverages in the convenience store channel. The International & Other segment delivered higher gross margins for the fourth quarter due to improved multinational business results and stronger branded exports. Full year margins also benefited from strong pork exports.

The Company expects favorable market conditions to continue for the Grocery Products and International & Other segments in fiscal 2018. JOTS will continue to navigate difficult industry conditions resulting in lower margins compared to fiscal 2017. Refrigerated Foods margins will benefit from continued value-added business growth tempered by expected volatility in pork markets during the year. International & Other segment margins are expected to increase due to improved results in China, the addition of Ceratti, and growth of branded exports.

Selling, General and Administrative (SG&A)

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
SG&A	\$194,218	\$244,006	(20.4)	\$762,104	\$871,974	(12.6)
Percentage of net sales	7.8	9.3		8.3	9.2	

Selling, general and administrative expenses decreased as the Company reduced advertising expenses by \$68.6 million and incurred lower employee-related expenses.

In fiscal 2018, the Company intends to continue building brand awareness through advertising investments and anticipates increasing advertising expense by approximately 20 percent over 2017 levels. The Company will continue to invest in key brands such as *Jennie-O*® products, *Hormel*® *Natural Choice*® meats, *Skippy*® peanut butter, the *SPAM*® family of products, *Wholly Guacamole*® dips, *Herdez*® salsas, and *Muscle Milk*® protein nutrition products.

Research and development expenses were \$8.2 million and \$34.2 million for the fiscal 2017 fourth quarter and year, respectively, compared to \$9.6 million and \$34.7 million for the corresponding periods in fiscal 2016.

Goodwill/Intangible Impairment: Impairment charges related to an indefinite-lived intangible asset of \$0.2 million were recorded in the fourth quarter of fiscal 2017. Goodwill impairment charges related to the divestiture of DCB of \$1.0 million were recorded in the second quarter of fiscal 2016.

Equity in Earnings of Affiliates

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Equity in earnings of affiliates	\$12,214	\$11,236	8.7	\$39,590	\$38,685	2.3

The increase for both the fourth quarter and fiscal 2017 was largely the result of improved earnings from the Company's 50 percent-owned MegaMex joint venture.

The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and for which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with receivables from other affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 29, 2017, was as follows:

(in thousands)	Investments/Receivables
Country	
United States	\$177,657
Foreign	64,712
Total	\$242,369

Effective Tax Rate

	Fourth Quarter Ended		Year Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Effective tax rate %	33.8	33.0	33.7	32.4

The fiscal 2017 rate was higher as the fiscal 2016 rate benefited from a foreign tax credit. The Company expects the effective tax rate in fiscal 2018 to be between 32.3 and 33.3 percent.

Segment Results

Net sales and operating profits for each of the Company's reportable segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent these segments, if operated independently, would report the operating profit and other financial information shown below. (Additional segment financial information can be found in Note P "Segment Reporting.")

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Net Sales						
Grocery Products	\$ 489,169	\$ 491,724	(0.5)	\$1,761,105	\$1,684,756	4.5

Refrigerated Foods	1,166,661	1,237,276	(5.7)	4,403,732	4,647,173	(5.2)
Jennie-O Turkey Store	484,856	541,409	(10.4)	1,663,160	1,740,968	(4.5)
Specialty Foods	196,792	216,674	(9.2)	794,508	939,134	(15.4)
International & Other	155,130	140,858	10.1	545,014	511,193	6.6
Total Net Sales	\$2,492,608	\$2,627,941	(5.1)	\$9,167,519	\$9,523,224	(3.7)
Segment Operating Profit						
Grocery Products	\$ 88,915	\$ 82,734	7.5	\$ 290,809	\$ 268,461	8.3
Refrigerated Foods	145,613	168,040	(13.3)	587,929	585,652	0.4
Jennie-O Turkey Store	70,370	92,299	(23.8)	247,322	329,427	(24.9)
Specialty Foods	15,933	20,182	(21.1)	96,828	110,917	(12.7)
International & Other	23,113	19,570	18.1	85,304	78,409	8.8
Total Segment Operating Profit	343,944	382,825	(10.2)	1,308,192	1,372,866	(4.7)
Net interest and investment (income) expense	(639)	1,017	(162.8)	1,824	6,680	(72.7)
General corporate expense	14,783	17,325	(14.7)	28,091	49,436	(43.2)
Less: Noncontrolling interest	209	250	(16.4)	368	465	(20.9)
Earnings Before Income Taxes	\$ 330,009	\$ 364,733	(9.5)	\$1,278,645	\$1,317,215	(2.9)

Grocery Products: Results for the Grocery Products segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	249,141	258,386	(3.6)	916,643	906,202	1.2
Net sales	\$489,169	\$491,724	(0.5)	\$1,761,105	\$1,684,756	4.5
Segment profit	88,915	82,734	7.5	290,809	268,461	8.3

Full-year results reflect the addition of Justin's, acquired on May 25, 2016, in addition to increased sales of *Wholly Guacamole*[®] dips, *Herdez*[®] salsas, and the *SPAM*[®] family of products. Results were offset by the impact of one less week compared to fiscal 2016.

Fourth quarter and full year segment profit results benefited from the net sales growth noted above partially offset by higher beef and pork input costs. Looking ahead to fiscal 2018, the Company anticipates positive momentum in *Herdez*[®] salsas, *Wholly Guacamole*[®] dips, and *Skippy*[®] peanut butter. Effective for fiscal 2018, the Specialty Foods segment results will be reported as part of the Grocery Products segment.

Refrigerated Foods: Results for the Refrigerated Foods segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	547,196	658,506	(16.9)	2,180,407	2,493,358	(12.6)
Net sales	\$1,166,661	\$1,237,276	(5.7)	\$4,403,732	\$4,647,173	(5.2)
Segment profit	145,613	168,040	(13.3)	587,929	585,652	0.4

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The results for the fourth quarter and fiscal year reflect the January 2017 divestiture of Farmer John, resulting in lower sales and volume in fiscal 2017. The results of Fontanini have been included as of the date of acquisition on August 24, 2017. Product lines showing exceptional sales growth for the quarter include foodservice sales of *Hormel*[®] *Bacon I*[™] fully cooked bacon and *Hormel*[®] *Fire Braised*[™] meats along with retail sales of *Hormel*[®] *Natural Choice*[®] meats. Segment profit was impacted by the divestiture of Farmer John, which was partially offset by the addition of Fontanini and strong value-added product growth.

Looking forward, the Company anticipates higher input costs will be more than offset by the addition of the Fontanini acquisition and strong value-added growth in the foodservice and retail channels.

Jennie-O Turkey Store: Results for the JOTS segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	270,175	291,587	(7.3)	890,518	902,073	(1.3)
Net sales	\$484,856	\$541,409	(10.4)	\$1,663,160	\$1,740,968	(4.5)
Segment profit	70,370	92,299	(23.8)	247,322	329,427	(24.9)

Net sales, volume, and segment profit were lower than last year as the segment continued to be impacted by higher industry supply and corresponding lower commodity meat prices. Pricing pressure from competing proteins and higher expenses also contributed to the lower results for the full year.

Segment profit for the fourth quarter was lower than last year as continued softness in the commodity and whole turkey markets and a more competitive industry environment pressured value-added margins.

JOTS expects value-added volume and sales growth in fiscal 2018, led by *Jennie-O*[®] lean ground turkey and *Jennie-O*[®] *Oven Ready*[®] products. Segment profit, however, is expected to be modestly lower than fiscal 2017 as continued softness in the first half of the year offsets an expected slow recovery in the turkey

markets in the back half.

Specialty Foods: Results for the Specialty Foods segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	117,344	127,053	(7.6)	458,022	583,267	(21.5)
Net sales	\$196,792	\$216,674	(9.2)	\$794,508	\$939,134	(15.4)
Segment profit	15,933	20,182	(21.1)	96,828	110,917	(12.7)

The volume, sales, and segment profit for the fourth quarter and fiscal year reflect the increased competitive activity for *Muscle Milk*[®] ready-to-drink protein beverages in the convenience store channel stemming from the impact of the recall in fiscal 2016.

A return to growth for *Muscle Milk*[®] products is expected to contribute to improved results in fiscal 2018. Effective with the start of fiscal 2018, Specialty Foods will be reported in the Grocery Products segment.

International & Other: Results for the International & Other segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	91,414	85,454	7.0	324,895	307,127	5.8
Net sales	\$155,130	\$140,858	10.1	\$545,014	\$511,193	6.6
Segment profit	23,113	19,570	18.1	85,304	78,409	8.8

Volume and sales for the fourth quarter were driven by improved export sales of *Skippy*[®] peanut butter products and *SPAM*[®] luncheon meat and also reflect the September 2017 acquisition of the *Ceratti*[®] brand. For the fiscal year, improved market conditions resulted in an overall increase in export sales. In China, the *Skippy*[®] peanut butter business continued to grow in both retail and foodservice channels and the Company's meat business experienced more favorable markets throughout fiscal 2017.

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Segment profit results for both the fourth quarter and fiscal year primarily reflect better margins for the China business and improved exports of branded items.

Entering 2018, the International & Other segment expects improved export results across all key brands, including *SPAM*[®], *Skippy*[®], and *Muscle Milk*[®]. The Company anticipates pork markets will remain favorable in fiscal 2018, though lower than fiscal 2017. Continued expansion in China is also projected, as the Company's new plant in Jiaying, China, will provide additional capacity and in-country *SPAM*[®] luncheon meat production.

Unallocated Income and Expense: The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company's noncontrolling interests are excluded. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

(in thousands)	Fourth Quarter Ended		Year Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Net interest and investment expense (income)	\$ (639)	\$ 1,017	\$ 1,824	\$ 6,680
Interest expense	3,577	3,288	12,683	12,871
General corporate expense	14,783	17,325	28,091	49,436
Noncontrolling interest earnings	209	250	368	465

Net interest and investment expense was lower than last year due to higher interest income, favorable currency exchange, and improved returns on the rabbi trust. General corporate expense was lower for both the fourth quarter and fiscal year primarily reflecting lower employee-related expenses.

FISCAL YEARS 2016 AND 2015:

Consolidated Results

Net Earnings and Diluted Earnings per Share

(in thousands, except per share amounts)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Net earnings	\$243,940	\$187,231	30.3	\$890,052	\$686,088	29.7
Diluted earnings per share	0.45	0.35	28.6	1.64	1.27	29.1
Adjusted net earnings	243,940	199,898 ⁽¹⁾	22.0	890,052	714,372 ⁽¹⁾	24.6
Adjusted diluted earnings per share	0.45	0.37 ⁽¹⁾	21.6	1.64	1.32 ⁽¹⁾	24.2

⁽¹⁾ COMPARISON OF U.S. GAAP TO NON-GAAP FINANCIAL MEASUREMENTS

The non-GAAP adjusted financial measurements are presented to provide investors additional information to facilitate the comparison of past and present operations. The non-GAAP adjusted financial measurements are used for internal purposes to evaluate the results of operations and to measure a component of certain

employee incentive plans in fiscal 2015. Non-GAAP measurements are not intended to be a substitute for U.S. GAAP measurements in analyzing financial performance. These non-GAAP measurements are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

Adjusted net earnings and diluted net earnings per share exclude charges relating to the closure of the Stockton, California, manufacturing facility and the exit from international joint venture businesses in the first quarter of fiscal 2015, and charges relating to the goodwill impairment charge associated with the DCB business and an adjustment to the contingent consideration accrual for CytoSport in the fourth quarter of fiscal 2015. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in both the fourth quarter and full year of fiscal 2015.

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(in thousands, except per share amounts)	Fourth Quarter				
	2016 Earnings	2015 Non-GAAP Adjusted Earnings	Diamond Crystal Brands Impairment	CytoSport Contingent Consideration Adjustment	2015 GAAP Earnings
Grocery Products	\$ 82,734	\$ 78,772	\$ –	\$ –	\$ 78,772
Refrigerated Foods	168,040	111,287	–	–	111,287
Jennie-O Turkey Store	92,299	73,227	–	–	73,227
Specialty Foods	20,182	35,015	(21,537)	8,870	22,348
International & Other	19,570	23,300	–	–	23,300
Total segment operating profit	382,825	321,601	(21,537)	8,870	308,934
General corporate expense	(17,325)	(16,649)	–	–	(16,649)
Net interest & investment expense	(1,017)	(3,341)	–	–	(3,341)
Earnings before income taxes	364,483	301,611	(21,537)	8,870	288,944
Income taxes	(120,543)	(101,713)	–	–	(101,713)
Net earnings attributable to Hormel Foods Corporation	\$ 243,940	\$ 199,898	\$(21,537)	\$8,870	\$ 187,231
Diluted net earnings per share	\$ 0.45	\$ 0.37	\$ (0.04)	\$ 0.02	\$ 0.35

(in thousands, except per share amounts)	Fiscal Year						
	2016 Earnings	2015 Non-GAAP Adjusted Earnings	Stockton Plant Closure	International Business Exit	Diamond Crystal Brands Impairment	CytoSport Contingent Consideration Adjustment	2015 GAAP Earnings
Grocery Products	\$ 268,461	\$ 239,108	\$(10,526)	\$ –	\$ –	\$ –	\$ 228,582
Refrigerated Foods	585,652	424,968	–	–	–	–	424,968
Jennie-O Turkey Store	329,427	276,217	–	–	–	–	276,217
Specialty Foods	110,917	105,925	–	–	(21,537)	8,870	93,258
International & Other	78,409	87,864	–	(9,546)	–	–	78,318
Total segment operating profit	1,372,866	1,134,082	(10,526)	(9,546)	(21,537)	8,870	1,101,343
General corporate expense	(49,436)	(35,199)	–	–	–	–	(35,199)
Net interest & investment expense	(6,680)	(10,177)	–	–	–	–	(10,177)
Earnings before income taxes	1,316,750	1,088,706	(10,526)	(9,546)	(21,537)	8,870	1,055,967
Income taxes	(426,698)	(374,334)	3,685	770	–	–	(369,879)
Net earnings attributable to Hormel Foods Corporation	\$ 890,052	\$ 714,372	\$ (6,841)	\$(8,776)	\$(21,537)	\$8,870	\$ 686,088
Diluted net earnings per share	\$ 1.64	\$ 1.32	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ 0.02	\$ 1.27

Net Sales and Volume

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Net sales	\$2,627,941	\$2,400,858	9.5	\$9,523,224	\$9,263,863	2.8
Volume (lbs.)	1,420,986	1,308,292	8.6	5,192,027	5,109,488	1.6

Four of the Company's five segments posted sales growth in the fourth quarter, more than offsetting lower sales for the Specialty Foods segment, which was impacted by the divestiture of DCB on May 9, 2016. Strong value-added sales for the Refrigerated Foods and JOTS segments drove higher sales for the fourth quarter.

Positive momentum in the second half of the year led to improved net sales results for both the fourth quarter and fiscal year. Sales in the first half of the year were tempered by lower turkey volumes in the JOTS segment and soft export demand in the International & Other segment. JOTS posted strong results in both the fourth quarter and fiscal year as production volumes returned to normalized levels during the third quarter. The Refrigerated Foods and Grocery Products segments experienced strong value-added product sales. Due to challenging market conditions in China, fiscal 2016 net sales declined for the International & Other segment.

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Cost of Products Sold

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Cost of products sold	\$2,029,421	\$1,905,828	6.5	\$7,365,049	\$7,455,282	(1.2)

The increase in cost of products sold for the fourth quarter of fiscal 2016 was primarily a result of higher sales volumes of JOTS products. JOTS sales volumes declined in fiscal 2015 as HPAI significantly impacted the availability of raw materials. For the fiscal year, cost of products sold decreased due to lower pork input costs for the Refrigerated Foods and Grocery Products segments along with lower grain costs for JOTS and favorable input costs for Specialty Foods. In the first quarter of fiscal 2015, charges totaling \$10.5 million were recognized for the closure of the Stockton, California, manufacturing facility.

Gross Profit

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Gross profit	\$598,520	\$495,030	20.9	\$2,158,175	\$1,808,581	19.3
Percentage of net sales	22.8	20.6		22.7	19.5	

Higher margins from the JOTS, Refrigerated Foods, Grocery Products, and Specialty Foods segments in the fourth quarter of fiscal 2016 offset lower results in the International & Other segment. The improved gross profit for JOTS is the result of strong value-added sales following the recovery from HPAI. Margins in the Refrigerated Foods and Grocery Products segments were driven by value-added sales growth and favorable market conditions. For fiscal 2016, strong value-added sales results across the Company's segments boosted margins.

Selling, General and Administrative (SG&A)

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
SG&A	\$244,006	\$188,952	29.1	\$871,974	\$743,611	17.3
Percentage of net sales	9.3	7.9		9.2	8.0	

The Company increased advertising expense by \$58.8 million and incurred \$24.2 million higher employee-related expenses in fiscal 2016. Fiscal 2016 included higher advertising for the Company's value-added products along with the addition of Applegate's advertising expenses.

Research and development expenses were \$9.6 million and \$34.7 million for the fiscal 2016 fourth quarter and year, respectively, compared to \$8.5 million and \$32.0 million in fiscal 2015.

Goodwill/Intangible Impairment: Goodwill impairment charges related to the divestiture of DCB of \$1.0 million and \$21.5 million were recorded in the second quarter of fiscal 2016 and fourth quarter of fiscal 2015, respectively.

Equity in Earnings of Affiliates

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Equity in earnings of affiliates	\$ 11,236	\$ 7,957	40.0	\$ 38,685	\$ 23,987	61.9

The increase for both the fourth quarter and fiscal 2016 was largely the result of improved earnings from the Company's 50 percent-owned MegaMex joint venture.

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The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and for which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with receivables from other affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 30, 2016, was as follows:

(in thousands)	Investments/Receivables
Country	
United States	\$180,437
Foreign	59,153
Total	\$239,590

Effective Tax Rate

	Fourth Quarter Ended		Year Ended	
	October 30, 2016	October 25, 2015	October 30, 2016	October 25, 2015

Effective tax rate %	33.0	35.2	32.4	35.0
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The lower comparative tax rate for the fourth quarter was due to the impact of the fiscal 2015 DCB goodwill impairment charge. The fiscal 2016 rate was lower due to the benefit from a foreign tax credit, along with a comparison to the unfavorable impact of the exit from international joint venture businesses in fiscal 2015.

Segment Results

Net sales and operating profits for each of the Company's reportable segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating profit and other financial information shown below. (Additional segment financial information can be found in Note P "Segment Reporting.")

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Net Sales						
Grocery Products	\$ 491,724	\$ 422,570	16.4	\$1,684,756	\$1,617,680	4.1
Refrigerated Foods	1,237,276	1,149,496	7.6	4,647,173	4,372,347	6.3
Jennie-O Turkey Store	541,409	420,312	28.8	1,740,968	1,635,776	6.4
Specialty Foods	216,674	269,887	(19.7)	939,134	1,103,359	(14.9)
International & Other	140,858	138,593	1.6	511,193	534,701	(4.4)
Total Net Sales	\$2,627,941	\$2,400,858	9.5	\$9,523,224	\$9,263,863	2.8
Segment Operating Profit						
Grocery Products	\$ 82,734	\$ 78,772	5.0	\$ 268,461	\$ 228,582	17.4
Refrigerated Foods	168,040	111,287	51.0	585,652	424,968	37.8
Jennie-O Turkey Store	92,299	73,227	26.0	329,427	276,217	19.3
Specialty Foods	20,182	22,348	(9.7)	110,917	93,258	18.9
International & Other	19,570	23,300	(16.0)	78,409	78,318	0.1
Total Segment Operating Profit	382,825	308,934	23.9	1,372,866	1,101,343	24.7
Net interest and investment expense (income)	1,017	3,341	(69.6)	6,680	10,177	(34.4)
General corporate expense	17,325	16,649	4.1	49,436	35,199	40.4
Less: Noncontrolling interest	250	212	17.9	465	1,176	(60.5)
Earnings Before Income Taxes	\$ 364,733	\$ 289,156	26.1	\$1,317,215	\$ 1,057,143	24.6

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Grocery Products: Results for the Grocery Products segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Volume (lbs.)	258,386	230,170	12.3	906,202	890,735	1.7
Net sales	\$491,724	\$422,570	16.4	\$1,684,756	\$1,617,680	4.1
Segment profit	82,734	78,772	5.0	268,461	228,582	17.4

Results reflected the addition of Justin's acquired on May 25, 2016. Justin's contributed incremental sales of \$24.3 million in the fourth quarter and \$36.8 million for the twelve months ended October 30, 2016. Increased sales of SPAM® luncheon meat, Skippy® peanut butter, Wholly Guacamole® dips, and Herdez® salsas also contributed to the improved sales results in the fourth quarter and full year of fiscal 2016.

Fourth quarter and full year segment profit results benefited from the net sales growth noted above along with favorable beef and pork input costs. Charges totaling \$10.5 million related to the closure of the Stockton, California, manufacturing facility impacted the first quarter of fiscal 2015.

Refrigerated Foods: Results for the Refrigerated Foods segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Volume (lbs.)	658,506	601,857	9.4	2,493,358	2,368,804	5.3
Net sales	\$1,237,276	\$1,149,496	7.6	\$4,647,173	\$4,372,347	6.3
Segment profit	168,040	111,287	51.0	585,652	424,968	37.8

Results reflect the addition of Applegate acquired on July 13, 2015, contributing an incremental \$236.8 million of net sales and 36.0 million pounds for fiscal 2016.

Many of the Company's value-added products enjoyed strong sales growth during the fourth quarter. Foodservice sales of Hormel® Bacon I™ fully cooked bacon and Hormel® Fire Braised™ meats along with retail sales of Applegate® deli meats, Hormel® Natural Choice® meats, and Hormel Gatherings® party trays drove the sales growth for the fourth quarter.

Segment profit results for the fourth quarter were driven by strong results from the Company's value-added products and favorable raw material markets. Fiscal 2016 benefited from lower input costs, the addition of Applegate, and strong foodservice results.

Jennie-O Turkey Store: Results for the JOTS segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Volume (lbs.)	291,587	221,528	31.6	902,073	849,418	6.2
Net sales	\$541,409	\$420,312	28.8	\$1,740,968	\$1,635,776	6.4
Segment profit	92,299	73,227	26.0	329,427	276,217	19.3

Net sales and segment profit exceeded fiscal 2015, which was negatively impacted by HPAI. The HPAI outbreak in fiscal 2015 created large volume shortfalls and corresponding declines in sales and operational efficiencies. Value-added sales of *Jennie-O*® foodservice products were strong in the fourth quarter, with growth coming from items in the raw boneless breast and sliced meat categories.

Retail sales of *Jennie-O*® lean ground turkey and *Jennie-O*® turkey bacon improved during the fourth quarter of fiscal 2016. For the year, lean ground tray pack, turkey bacon, and *Jennie-O*® *Oven Ready*® products drove the improved sales results.

Segment profit for the fourth quarter improved over last year, as the fiscal 2015 results reflected the impact of HPAI. Favorable input costs this year also provided benefits in both the quarter and full year results.

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Specialty Foods: Results for the Specialty Foods segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Volume (lbs.)	127,053	177,784	(28.5)	583,267	702,110	(16.9)
Net sales	\$216,674	\$269,887	(19.7)	\$939,134	\$1,103,359	(14.9)
Segment profit	20,182	22,348	(9.7)	110,917	93,258	18.9

The results for the fourth quarter and fiscal year reflected the May 9, 2016, divestiture of DCB, resulting in lower sales and volume in fiscal 2016. *Muscle Milk*® branded items posted strong sales growth throughout the fiscal year with increases across many product lines including protein powders and ready-to-drink protein beverages.

Fourth quarter segment profit declined versus the prior year primarily due to increased advertising. For the fiscal year, favorable input costs and operational synergies drove segment profit gains.

International & Other: Results for the International & Other segment compared to the prior year are as follows:

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 30, 2016	October 25, 2015	% Change	October 30, 2016	October 25, 2015	% Change
Volume (lbs.)	85,454	76,953	11.0	307,127	298,421	2.9
Net sales	\$140,858	\$138,593	1.6	\$511,193	\$534,701	(4.4)
Segment profit	19,570	23,300	(16.0)	78,409	78,318	0.1

Pork exports drove net sales growth during the fourth quarter, as volumes and markets improved compared to the prior year. For the fiscal year, challenging market conditions and unfavorable exchange rates resulted in an overall decline in export sales compared to fiscal 2015. In China, the Company also experienced softness in the meat business throughout fiscal 2016, while the *Skippy*® peanut butter business continued to grow in both retail and foodservice channels.

Segment profit results for both the fourth quarter and fiscal year primarily reflected weaker margins for the China meat business and lower exports of branded items. These losses offset improved profitability for pork exports and growth in the China *Skippy*® peanut butter business. Stronger equity in earnings results did provide a benefit for the year. Fiscal 2015 results also included charges of \$9.5 million related to the exit from international joint venture businesses.

Unallocated Income and Expense: The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company's non controlling interests are excluded. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

(in thousands)	Fourth Quarter Ended		Year Ended	
	October 30, 2016	October 25, 2015	October 30, 2016	October 25, 2015
Net interest and investment expense (income)	\$ 1,017	\$ 3,341	\$ 6,680	\$ 10,177
Interest expense	3,288	3,821	12,871	13,111
General corporate expense	17,325	16,649	49,436	35,199
Noncontrolling interest earnings	250	212	465	1,176

Net interest and investment expense was lower in fiscal 2016 compared to fiscal 2015 due to higher interest income, favorable currency exchange, and improved returns on the rabbi trust. General corporate expense was higher for the both the fourth quarter and fiscal year primarily reflecting higher employee-related expenses.

RELATED PARTY TRANSACTIONS

During the fourth quarter of fiscal 2015, the Company purchased 0.8 million shares of common stock from The Hormel Foundation at \$31.16 per share, representing the average closing price for the three days of September 15, September 16, and September 17, 2015. Settlement took place on September 18, 2015.

The Company was not party to any other material related party transactions during fiscal years 2017, 2016, or 2015.

Liquidity and Capital Resources

Cash and cash equivalents were \$444.1 million at the end of fiscal 2017 compared to \$415.1 million at the end of fiscal 2016 and \$347.2 million at the end of fiscal 2015.

During fiscal 2017, cash provided by operating activities was \$1,010.2 million compared to \$992.8 million in fiscal 2016 and \$992.0 million in fiscal 2015. The increase in fiscal 2017 was primarily related to decreases in working capital.

Cash used in investing activities increased to \$593.0 million in fiscal 2017 from \$409.0 million in fiscal 2016 and \$900.9 million in fiscal 2015. Fiscal 2017 included \$520.5 million to purchase Fontanini and Ceratti, partially offset by the sale of Farmer John for \$135.9 million. Fiscal 2016 included \$280.9 million to purchase Justin's, partially offset by the sale of DCB for \$110.1 million. Fiscal 2015 included \$774.1 million used to purchase Applegate. Capital expenditures in fiscal 2017 decreased to \$221.3 million, from \$255.5 million in 2016, and \$144.1 million in 2015. Projects in fiscal 2017 included completion of the Company's plant in Jiaxing, China, replacement of the JOTS whole bird production facility in Melrose, Minnesota, bacon expansion in Wichita, Kansas, and ongoing investments for food and employee safety. The primary reason for lower capital expenditures in fiscal 2015 was the Company's decision to delay the addition of capacity at JOTS in the face of lower turkey supply due to the impacts of HPAI. Capital expenditures for fiscal 2018 are estimated to be approximately \$425.0 million. The higher level of capital is driven by the investments into additional capacity for high margin products and projects to improve manufacturing efficiencies. They include the expansion of baking capacity, modernization of the Austin, Minnesota, plant, and replacement of the Melrose, Minnesota, plant.

Cash used in financing activities was \$389.3 million in fiscal 2017 compared to \$509.6 million in fiscal 2016 and \$70.6 million in fiscal 2015. In the third quarter of fiscal 2016, in connection with the purchase of Justin's, the Company borrowed \$145.0 million under a revolving credit facility. At the end of fiscal 2016, no amounts were owed on the revolving credit facility. In the third quarter of fiscal 2015, in connection with the purchase of Applegate, the Company borrowed \$300.0 million under a term

loan facility and \$50.0 million under a revolving credit facility, of which \$165.0 million was paid down in the fourth quarter. On March 16, 2015, the Company purchased the remaining 19.29% ownership interest in its Shanghai Hormel Foods Corporation joint venture from the minority partner Shanghai Shangshi Meat Products Co. Ltd., resulting in 100.0% ownership at the end of the second quarter. The interest was purchased with \$11.7 million in cash, along with the transfer of land use rights and buildings held by the joint venture.

The Company used \$94.5 million for common stock repurchases during fiscal 2017 compared to \$87.9 million in fiscal 2016 and \$24.9 million in fiscal 2015. During fiscal 2017, the Company repurchased 2.7 million shares of its common stock at an average price per share of \$34.51. During fiscal 2016, the Company repurchased 2.4 million shares of its common stock at an average price per share of \$36.84. During fiscal 2015, 0.8 million shares were repurchased from The Hormel Foundation at the average closing price for the three days of September 15, September 16, and September 17, 2015, of \$31.16. On January 29, 2013, the Company's Board of Directors authorized the repurchase of 10.0 million shares of its common stock with no expiration date, which was adjusted for the stock split during the first quarter of fiscal 2016. As of the end of fiscal 2017, there were 10.5 million shares remaining for repurchase under that authorization.

Cash dividends paid to the Company's shareholders continues to be an ongoing financing activity for the Company, with \$346.0 million in dividends paid in fiscal 2017 compared to \$296.5 million in the fiscal 2016 and \$250.8 million in fiscal 2015. The dividend rate was \$0.68 per share in fiscal 2017, which reflected a 17.0 percent increase over the fiscal 2016 rate of \$0.58 per share. The Company has paid dividends for 357 consecutive quarters. The annual dividend rate for fiscal 2018 was increased 10.3 percent to \$0.75 per share, representing the 52nd consecutive annual dividend increase.

Cash flows from operating activities continue to provide the Company with its principal source of liquidity. The Company does not anticipate a significant risk to cash flows from this source in the foreseeable future because the Company operates in a relatively stable industry and has strong brands across many categories and channels.

The Company is dedicated to returning excess cash flow to shareholders through dividend payments. Growing the business through innovation and evaluating opportunities for strategic acquisitions remains a focus for the Company. Reinvestments in the business to ensure employee and food safety are a top priority for the Company. Capital spending to enhance and expand current operations will also be a significant cash outflow in fiscal 2018.

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Contractual Obligations and Commercial Commitments

The following table outlines the Company's future contractual financial obligations as of October 29, 2017, (for additional information regarding these obligations, see Note F "Long-term Debt and Other Borrowing Arrangements" and Note N "Commitments and Contingencies"):

Contractual Obligations (in thousands)	Payments Due by Periods				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase obligations:					

Hog and turkey commitments ⁽¹⁾	\$2,347,304	\$1,030,401	\$1,033,231	\$274,978	\$ 8,694
Grain commitments ⁽¹⁾	76,909	75,832	1,077	–	–
Turkey grow-out contracts ⁽²⁾	97,807	14,698	24,358	17,990	40,761
Other ⁽³⁾	1,009,737	674,792	148,941	125,899	60,105
Current and long-term debt	250,000	–	–	250,000	–
Interest payments on long-term debt ⁽⁴⁾	35,697	10,313	20,625	4,759	–
Capital expenditures ⁽⁵⁾	278,774	262,108	13,333	3,333	–
Leases	22,721	7,662	8,320	5,072	1,667
Other long-term liabilities ⁽⁶⁾⁽⁷⁾	67,467	5,998	10,884	10,212	40,373
Total Contractual Cash Obligations	\$4,186,416	\$2,081,804	\$1,260,769	\$692,243	\$151,600

⁽¹⁾ In the normal course of business, the Company commits to purchase fixed quantities of livestock and grain from producers to ensure a steady supply of production inputs. Certain of these contracts are based on market prices at the time of delivery, for which the Company has estimated the purchase commitment using current market prices as of October 29, 2017. The Company also utilizes various hedging programs to manage the price risk associated with these commitments. As of October 29, 2017, these hedging programs result in a net decrease of \$2.5 million in future cash payments associated with the purchase commitments, which is not reflected in the table above.

⁽²⁾ The Company utilizes grow-out contracts with independent farmers to raise turkeys for the Company. Under these contracts, the turkeys, feed, and other supplies are owned by the Company. The farmers provide the required labor and facilities, and receive a fee per pound when the turkeys are delivered. Some of the facilities are sub-leased by the Company to the independent farmers. As of October 29, 2017, the Company had approximately 100 active contracts ranging from one to twenty-five years in duration. The grow-out activity is assumed to continue through the term of these active contracts, and amounts in the table represent the Company's obligation based on turkeys expected to be delivered from these farmers.

⁽³⁾ Amounts presented for other purchase obligations represent all known open purchase orders and all known contracts exceeding \$1.0 million, related to the procurement of raw materials, supplies, and various services. The Company primarily purchases goods and services on an as-needed basis. Therefore, the amounts in the table represent only a portion of expected future cash expenditures.

⁽⁴⁾ See Note F, "Long-term Debt and Other Borrowing Arrangements".

⁽⁵⁾ Amounts presented for capital expenditures represent only the Company's current commitments to complete construction in progress at various locations. The Company estimates total capital expenditures for fiscal 2018 to be approximately \$425.0 million.

⁽⁶⁾ Other long-term liabilities represent payments under the Company's deferred compensation plans. Excluded from the table above are payments under the Company's defined benefit pension and other post-retirement benefit plans. (See estimated benefit payments for the next ten fiscal years in Note G "Pension and Other Post-retirement Benefits.")

⁽⁷⁾ As discussed in Note K "Income Taxes," the total liability for unrecognized tax benefits, including interest and penalties, at October 29, 2017, was \$20.2 million, which is not included in the table above as the ultimate amount or timing of settlement of the Company's reserves for income taxes cannot be reasonably estimated.

In addition to the commitments set forth in the above table, at October 29, 2017, the Company had \$48.0 million in standby letters of credit issued on behalf of the Company. The standby letters of credit are primarily related to the Company's self-insured workers compensation programs.

The Company believes its financial resources, including a revolving credit facility for \$400.0 million and anticipated funds from operations, will be adequate to meet all current commitments.

Off-Balance Sheet Arrangements

As of October 29, 2017, the Company had \$48.0 million of standby letters of credit issued on its behalf. The standby letters of credit are primarily related to the Company's self-insured workers compensation programs. However, this amount includes revocable standby letters of credit totaling \$4.0 million for obligations of an affiliated party that may arise under workers compensation claims. Letters of credit are not reflected in the Company's Consolidated Statements of Financial Position.

Forward-Looking Statements

This report contains "forward-looking" information within the meaning of the federal securities laws. The "forward-looking" information may include statements concerning the Company's outlook for the future as well as other statements of beliefs, future plans, strategies, or anticipated events and similar expressions concerning matters that are not historical facts.

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information. The Company is filing this cautionary statement in connection with the Reform Act. When used in the Company's Annual Report to Stockholders, other filings by the Company with the U.S. Securities and Exchange Commission, the Company's press releases, and oral statements made by the Company's representatives, the words or phrases "should result," "believe," "intend," "plan," "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate,"

"project," or similar expressions are intended to identify forward-looking statements within the meaning of the Reform Act. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those anticipated or projected.

The pathogens which may cause food contamination are found generally in livestock and in the environment and thus may be present in our products as a result of food processing. These pathogens can be introduced to our products as a result of improper handling by customers or consumers. We do not have control over

In connection with the “safe harbor” provisions of the Reform Act, the Company is identifying risk factors that could affect financial performance and cause the Company’s actual results to differ materially from opinions or statements expressed with respect to future periods. The following discussion of risk factors contains certain cautionary statements regarding the Company’s business, which should be considered by investors and others. Such risk factors should be considered in conjunction with any discussions of operations or results by the Company or its representatives, including any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company.

In making these statements, the Company is not undertaking, and specifically declines to undertake, any obligation to address or update each or any factor in future filings or communications regarding the Company’s business or results, and is not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. Though the Company has attempted to list comprehensively these important cautionary risk factors, the Company wishes to caution investors and others that other factors may in the future prove to be important in affecting the Company’s business or results of operations.

The Company cautions readers not to place undue reliance on forward-looking statements, which represent current views as of the date made. Forward-looking statements are inherently at risk to any changes in the national and worldwide economic environment, which could include, among other things, economic conditions, political developments, currency exchange rates, interest and inflation rates, accounting standards, taxes, and laws and regulations affecting the Company and its markets.

Risk Factors

The Company’s operations are subject to the general risks of the food industry. The food products manufacturing industry is subject to the risks posed by:

- food spoilage;
- food contamination caused by disease-producing organisms or pathogens, such as *Listeria monocytogenes*, *Salmonella*, and pathogenic *E coli*;
- food allergens;
- nutritional and health-related concerns;
- federal, state, and local food processing controls;
- consumer product liability claims;
- product tampering; and
- the possible unavailability and/or expense of liability insurance.

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necessary. There can be no assurance given, however, these plans will be effective in eliminating the negative effects of any such diseases on the Company’s operating results.

Fluctuations in commodity prices and availability of pork, poultry, beef, feed grains, avocados, peanuts, energy, and whey could harm the Company’s earnings. The Company’s results of operations and financial condition are largely dependent upon the cost and supply of pork, poultry, beef, feed grains, avocados, peanuts, and whey as well as energy costs and the selling prices for many of our products, which are determined by constantly changing market forces of supply and demand.

The live hog industry has evolved to large, vertically-integrated

handling procedures once our products have been shipped for distribution. If one or more of these risks were to materialize, the Company’s brand and business reputation could be negatively impacted. In addition, revenues could decrease, costs of doing business could increase, and the Company’s operating results could be adversely affected.

Deterioration of economic conditions could harm the Company’s business. The Company’s business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital, energy availability and costs (including fuel surcharges), and the effects of governmental initiatives to manage economic conditions. Decreases in consumer spending rates and shifts in consumer product preferences could also negatively impact the Company.

Volatility in financial markets and the deterioration of national and global economic conditions could impact the Company’s operations as follows:

- The financial stability of our customers and suppliers may be compromised, which could result in additional bad debts for the Company or non-performance by suppliers; and
- The value of our investments in debt and equity securities may decline, including most significantly the Company’s trading securities held as part of a rabbi trust to fund supplemental executive retirement plans and deferred income plans, and the Company’s assets held in pension plans.

The Company utilizes hedging programs to manage its exposure to various commodity market risks, which qualify for hedge accounting for financial reporting purposes. Volatile fluctuations in market conditions could cause these instruments to become ineffective, which could require any gains or losses associated with these instruments to be reported in the Company’s earnings each period. These instruments may limit the Company’s ability to benefit from market gains if commodity prices become more favorable than those secured under the Company’s hedging programs. Most recently, due to market volatility the Company temporarily suspended the use of the special hedge accounting exemption for its JOTS corn futures contracts in the third quarter of fiscal 2016 due to ineffectiveness. During the time of suspension, all gains or losses related to these contracts were recorded in earnings as incurred.

Additionally, if a highly pathogenic disease outbreak developed in the United States, it may negatively impact the national economy, demand for Company products, and/or the Company’s workforce availability, and the Company’s financial results could suffer. The Company has developed contingency plans to address infectious disease scenarios and the potential impact on its operations, and will continue to update these plans as

increase the cost of production, reduce utilization of the Company’s harvest facilities, and reduce operating margins. Additionally, the outbreak of disease may hinder the Company’s ability to market and sell products both domestically and internationally. Most recently, HPAI impacted the Company’s operations and several of the Company’s independent turkey suppliers. The impact of HPAI in the industry reduced volume through the Company’s turkey facilities through the first part of fiscal 2016. The Company has developed business continuity plans for various disease scenarios and will continue to update these plans as necessary. There can be no assurance given, however, these plans will be effective in eliminating the negative effects of any such diseases on the Company’s operating results.

operations using long-term supply agreements. This has resulted in fewer hogs being available on the cash spot market. Consequently, the Company uses long-term supply contracts based on market-based formulas or the cost of production to ensure a stable supply of raw materials while minimizing extreme fluctuations in costs over the long-term. This may result, in the short-term, in costs for live hogs that are higher than the cash spot market depending on the relationship of the cash spot market to contract prices. Market-based pricing on certain product lines, and lead time required to implement pricing adjustments, may prevent all or part of these cost increases from being recovered, and these higher costs could adversely affect our short-term financial results.

JOTS raises turkeys and contracts with turkey growers to meet its raw material requirements for whole birds and processed turkey products. Results in these operations are affected by the cost and supply of feed grains, which fluctuate due to climate conditions, production forecasts, and supply and demand conditions at local, regional, national, and worldwide levels. The Company attempts to manage some of its short-term exposure to fluctuations in feed prices by forward buying, using futures contracts, and pursuing pricing advances. However, these strategies may not be adequate to overcome sustained increases in market prices due to alternate uses for feed grains or other changes in these market conditions.

The supply of natural and organic proteins may impact the Company's ability to ensure a continuing supply of these products. To mitigate this risk, the Company partners with multiple long-term suppliers.

International trade barriers and other restrictions could result in less foreign demand and increased domestic supply of proteins which could lower prices. The Company occasionally utilizes in-country production to limit this exposure.

Outbreaks of disease among livestock and poultry flocks could harm the Company's revenues and operating margins. The Company is subject to risks associated with the outbreak of disease in pork and beef livestock, and poultry flocks, including Bovine Spongiform Encephalopathy (BSE), pneu-mo-virus, Porcine Circovirus 2 (PCV2), Porcine Reproduction & Respiratory Syndrome (PRRS), Foot-and-Mouth Disease (FMD), Porcine Epidemic Diarrhea Virus (PEDv), and Highly Pathogenic Avian Influenza (HPAI). The outbreak of disease could adversely affect the Company's supply of raw materials,

Market demand for the Company's products may fluctuate. The Company faces competition from producers of alternative meats and protein sources, including pork, beef, turkey, chicken, fish, peanut butter, and whey. The bases on which the Company competes include:

- price;
- product quality and attributes;
- brand identification;
- breadth of product line; and
- customer service.

Demand for the Company's products is also affected by competitors' promotional spending and the effectiveness of the Company's advertising and marketing programs, and consumer perceptions. Failure to identify and react to changes in food trends such as sustainability of product sources and animal welfare could lead to, among other things, reduced demand for the Company's brands and products. The Company may be unable to compete successfully on any or all of these bases in the future.

The Company's operations are subject to the general risks associated with acquisitions. The Company has made several acquisitions in recent years, most recently the acquisitions of Columbus, Fontanini, and Ceratti, and regularly reviews opportunities for strategic growth through acquisitions. Potential risks associated with acquisitions include the inability to integrate new operations successfully, the diversion of management's attention from other business concerns, the potential loss of key employees and customers of the acquired companies, the possible assumption of unknown liabilities, potential disputes with the sellers, potential impairment charges if purchase assumptions are not achieved or market conditions decline, and the inherent risks in entering markets or lines of business in which the Company has limited or no prior experience. Any or all of these risks could impact the Company's financial results and business reputation. In addition, acquisitions outside the United States may present unique challenges and increase the Company's exposure to the risks associated with foreign operations.

The Company is subject to disruption of operations at co-packers or other suppliers. Disruption of operations at co packers or other suppliers may impact the Company's product or raw material supply, which could have an adverse effect on

the Company's financial results. Additionally, actions taken to mitigate the impact of any potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, may adversely affect the Company's financial results.

The Company's operations are subject to the general risks of litigation. The Company is involved on an ongoing basis in litigation arising in the ordinary course of business. Trends in litigation may include class actions involving employees, consumers, competitors, suppliers, shareholders, or injured persons, and claims relating to product liability, contract disputes, intellectual property, advertising, labeling, wage and hour laws, employment practices, or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could adversely affect the Company's financial results.

The Company is subject to the loss of a material contract. The Company is a party to several supply, distribution, contract packaging, and other material contracts. The loss of a material contract could adversely affect the Company's financial results.

expenditures. In addition, some of the Company's facilities have been in operation for many years and, over time, the Company and other prior operators of these facilities may have generated and disposed of wastes that now may be considered hazardous. Future discovery of contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur additional expenses. The occurrence of any of these events, the implementation of new laws and regulations, or stricter interpretation of existing laws or regulations could adversely affect the Company's financial results.

The Company's foreign operations pose additional risks to the Company's business. The Company operates its business and markets its products internationally. The Company's foreign operations are subject to the risks described above, as well as risks related to fluctuations in currency values, foreign currency exchange controls, compliance with foreign laws, compliance with applicable U.S. laws, including the Foreign Corrupt Practices Act, and other economic or political uncertainties. International sales are subject to

Government regulation, present and future, exposes the Company to potential sanctions and compliance costs that could adversely affect the Company's business. The Company's operations are subject to extensive regulation by the U.S. Department of Homeland Security, the U.S. Department of Agriculture, the U.S. Food and Drug Administration, federal and state taxing authorities, and other federal, state, and local authorities who oversee workforce immigration laws, tax regulations, animal welfare, food safety standards, and the processing, packaging, storage, distribution, advertising, and labeling of the Company's products. The Company's manufacturing facilities and products are subject to continuous inspection by federal, state, and local authorities. Claims or enforcement proceedings could be brought against the Company in the future. The availability of government inspectors due to a government furlough could also cause disruption to the Company's manufacturing facilities. Additionally, the Company is subject to new or modified laws, regulations, and accounting standards. The Company's failure or inability to comply with such requirements could subject the Company to civil remedies, including fines, injunctions, recalls, or seizures, as well as potential criminal sanctions.

The Company is subject to stringent environmental regulation and potentially subject to environmental litigation, proceedings, and investigations. The Company's past and present business operations and ownership and operation of real property are subject to stringent federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Compliance with these laws and regulations, and the ability to comply with any modifications to these laws and regulations, is material to the Company's business. New matters or sites may be identified in the future requiring additional investigation, assessment, or

risks related to general economic conditions, imposition of tariffs, quotas, trade barriers and other restrictions, enforcement of remedies in foreign jurisdictions and compliance with applicable foreign laws, and other economic and political uncertainties. All of these risks could result in increased costs or decreased revenues, which could adversely affect the Company's financial results.

The Company may be adversely impacted if the Company is unable to protect information technology systems against, or effectively respond to, cyber-attacks or security breaches. Information technology systems are an important part of the Company's business operations. Attempted cyber-attacks and other cyber incidents are occurring more frequently and are being made by groups and individuals with a wide range of motives and expertise. In an attempt to mitigate this risk, the Company has implemented and continues to evaluate security initiatives and business continuity plans.

Deterioration of labor relations or increases in labor costs could harm the Company's business. As of October 29, 2017, the Company had approximately 20,200 employees worldwide, of which approximately 4,500 were represented by labor unions, principally the United Food and Commercial Workers Union. A significant increase in labor costs or a deterioration of labor relations at any of the Company's facilities or contracted hog processing facilities resulting in work slowdowns or stoppages could harm the Company's financial results. A union contract at the Company's facility in Rochelle, Illinois will expire during fiscal 2018, covering approximately 626 employees. Negotiations have not yet been initiated.

Quantitative and Qualitative Disclosure About Market Risks

Hog Markets: The Company's earnings are affected by fluctuations in the live hog market. To minimize the impact on earnings, and to ensure a steady supply of quality hogs, the Company has entered into contracts with producers for

the purchase of hogs at formula-based prices over periods of up to 10 years. Purchased hogs under contract accounted for 96 percent and 94 percent of the total hogs purchased by the Company during fiscal years 2017 and 2016, respectively. The majority of these contracts use market-based formulas based on hog futures, hog primal values, or industry reported hog markets. Other contracts use a formula based on the cost of production, which can fluctuate independently from hog markets. The Company's value-added branded portfolio helps mitigate changes in hog and pork market prices. Therefore, a hypothetical 10 percent change in the cash hog market would have had an immaterial effect on the Company's results of operations.

In the second quarter of 2017, the Company initiated a hedge program to offset the fluctuation in the Company's future direct hog purchases. This program currently utilizes lean hog futures, and these contracts are accounted for under cash flow hedge accounting. The fair value of the Company's open futures contracts in this hedging program as of October 29, 2017, was \$1.7 million, before tax. The Company measures its market risk exposure on its lean hog futures contracts using a sensitivity analysis, which considers a hypothetical 10 percent change in the market prices for lean hogs. A 10 percent decrease in the market price for lean hogs would have negatively impacted the fair value of the Company's October 29, 2017, open lean hog contracts by \$2.0 million, which in turn would lower the Company's future cost on purchased hogs by a similar amount.

Certain procurement contracts allow for future hog deliveries (firm commitments) to be forward priced. The Company generally hedges these firm commitments by using hog futures contracts. These

To reduce the Company's exposure to changes in grain prices, the Company utilizes a hedge program to offset the fluctuation in the Company's future direct grain purchases. This program currently utilizes corn futures for JOTS, and these contracts are accounted for under cash flow hedge accounting. The fair value of the Company's open futures contracts as of October 29, 2017, was \$(2.2) million compared to \$(3.2) million, before tax, as of October 30, 2016. The Company measures its market risk exposure on its grain futures contracts using a sensitivity analysis, which considers a hypothetical 10 percent change in the market prices for grain. A 10 percent decrease in the market price for grain would have negatively impacted the fair value of the Company's October 29, 2017, open grain contracts by \$4.4 million, which in turn would lower the Company's future cost on purchased grain by a similar amount.

Long-Term Debt: A principal market risk affecting the Company is the exposure to changes in interest rates on the Company's fixed-rate, long-term debt. Market risk for fixed-rate, long-term debt is estimated as the potential increase in fair value, resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately \$1.9 million. The fair value of the Company's long-term debt was estimated using discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

Investments: The Company holds trading securities as part of a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. As of October 29, 2017, the balance of these securities totaled \$128.5 million compared to \$122.3 million as of October 30, 2016. A majority of these securities represent fixed

futures contracts are designated and accounted for as fair value hedges. The change in the market value of such futures contracts is highly effective at offsetting changes in price movements of the hedged item, and the Company evaluates the effectiveness of the contracts at least quarterly. Changes in the fair value of the futures contracts, along with the gain or loss on the firm commitment, are marked-to-market through earnings and are recorded on the Consolidated Statements of Financial Position as a current asset and liability, respectively. The fair value of the Company's open futures contracts as of October 29, 2017, was \$(0.9) million compared to \$1.4 million as of October 30, 2016. The Company measures its market risk exposure on its hog futures contracts using a sensitivity analysis, which considers a hypothetical 10 percent change in market prices. A 10 percent increase in market prices would have negatively impacted the fair value of the Company's October 29, 2017, open contracts by \$2.8 million, which in turn would lower the Company's future cost of purchased hogs by a similar amount.

Turkey Production Costs: The Company raises or contracts for live turkeys to meet some of its raw material supply requirements. Production costs in raising turkeys are subject primarily to fluctuations in feed prices and, to a lesser extent, fuel costs. Under normal, long-term market conditions, changes in the cost to produce turkeys are offset by proportional changes in their respective markets.

income funds. The Company is subject to market risk due to fluctuations in the value of the remaining investments, as unrealized gains and losses associated with these securities are included in the Company's net earnings on a mark-to-market basis. A 10 percent decline in the value of the investments not held in fixed income funds would have a direct negative impact to the Company's pre-tax earnings of approximately \$4.4 million, while a 10 percent increase in value would have a positive impact of the same amount.

International Assets The fair values of certain Company assets are subject to fluctuations in foreign currencies. The Company's net asset position in foreign currencies as of October 29, 2017, was \$781.3 million, compared to \$443.1 million as of October 30, 2016, with most of the exposure existing in Chinese yuan and Brazilian real. Changes in currency exchange rates impact the fair values of Company assets either currently through the Consolidated Statements of Operations as currency gains/ losses, or by affecting other comprehensive loss.

The Company measures its foreign currency exchange risk by using a 10 percent sensitivity analysis on the Company's primary foreign net asset position, the Chinese yuan, as of October 29, 2017. A 10 percent strengthening in the value of the yuan relative to the U.S. dollar would result in other comprehensive income of approximately \$46.6 million pre-tax. A 10 percent weakening in the value of the yuan relative to the U.S. dollar would result in other comprehensive loss of approximately \$38.1 million pre-tax.

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Report of Management

Management's Responsibility for Financial Statements

The accompanying financial statements were prepared by the management of Hormel Foods Corporation which is responsible for their integrity and objectivity. These statements have been prepared in accordance with U.S. generally accepted accounting principles appropriate in the circumstances and, as such, include amounts that are based on our best estimates and judgments.

Hormel Foods Corporation has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit, and well-qualified personnel.

These financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, and their report is included herein. The audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management, and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Young LLP and our internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of Hormel Foods Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting standards. Under the supervision, and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on our evaluation under the framework in *Internal Control - Integrated Framework*, we concluded that our internal control over financial reporting was effective as of October 29, 2017. Our internal control over financial reporting as of October 29, 2017, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.



James P. Snee
Chairman of the Board,
President, Chief Executive
Officer, and Director



James N. Sheehan
Senior Vice President
and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders Hormel Foods Corporation

We have audited Hormel Foods Corporation's internal control over financial reporting as of October 29, 2017, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Hormel Foods Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

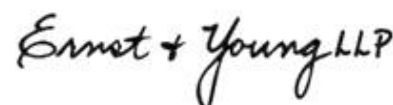
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hormel Foods Corporation maintained, in all material respects, effective internal control over financial reporting as of October 29, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Hormel Foods Corporation at October 29, 2017 and October 30, 2016 and the related statements of operations, comprehensive income, changes in stockholders' investment and cash flows for each of the three years in the period ended October 29, 2017 and our report dated December 20, 2017 expressed an unqualified opinion thereon.



Minneapolis, Minnesota
December 20, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders Hormel Foods Corporation

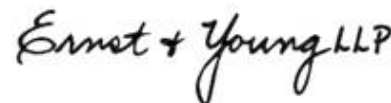
We have audited the accompanying consolidated statements of financial position of Hormel Foods Corporation as of October 29, 2017 and October 30, 2016, and the related consolidated statements of operations, comprehensive income, changes in shareholders' investment, and cash flows for each of the three years in the period ended October 29, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hormel Foods Corporation at October 29, 2017 and October 30, 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 29, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hormel Food

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Corporation's internal control over financial reporting as of October 29, 2017, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 20, 2017 expressed an unqualified opinion thereon.



Minneapolis, Minnesota
December 20, 2017

Consolidated Statements of Financial Position

(in thousands, except share and per share amounts)	October 29, 2017	October 30, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 444,122	\$ 415,143
Accounts receivable (net of allowance for doubtful accounts of \$4,246 at October 29, 2017, and \$4,045 at October 30, 2016)	618,351	591,310
Inventories	921,022	985,683
Income taxes receivable	22,346	18,282
Prepaid expenses	16,144	13,775
Other current assets	4,538	5,719
Total Current Assets	2,026,523	2,029,912
Deferred Income Taxes	—	6,223
Goodwill	2,119,813	1,834,497
Other Intangibles	1,027,014	903,258
Pension Assets	171,990	68,901
Investments In and Receivables From Affiliates	242,369	239,590
Other Assets	184,948	182,237
Property, Plant and Equipment		
Land	51,249	67,557
Buildings	866,855	805,858
Equipment	1,710,537	1,675,549
Construction in progress	148,064	218,351
Less: Allowance for depreciation	(1,573,454)	(1,661,866)
Net Property, Plant and Equipment	1,203,251	1,105,449
Total Assets	\$ 6,975,908	\$ 6,370,067
Liabilities and Shareholders' Investment		
Current Liabilities		
Accounts payable	\$ 552,714	\$ 481,826
Accrued expenses	76,966	82,145
Accrued workers compensation	26,585	36,612
Accrued marketing expenses	101,573	119,583
Employee related expenses	209,562	251,433
Taxes payable	525	4,331
Interest and dividends payable	90,287	77,266
Total Current Liabilities	1,058,212	1,053,196
Long-Term Debt – less current maturities	250,000	250,000
Pension and Post-Retirement Benefits	530,249	522,356
Other Long-Term Liabilities	99,340	93,109
Deferred Income Taxes	98,410	—
Shareholders' Investment		
Preferred stock, par value \$0.01 a share — authorized 160,000,000 shares; issued — none		

Common stock, nonvoting, par value \$0.01 a share — authorized 400,000,000 shares; issued — none		
Common stock, par value \$0.01465 a share — authorized 1,600,000,000 shares; issued 528,423,605 shares October 29, 2017 issued 528,483,868 shares October 30, 2016	7,741	7,742
Additional paid-in capital	13,670	–
Accumulated other comprehensive loss	(248,075)	(296,303)
Retained earnings	5,162,571	4,736,567
Hormel Foods Corporation Shareholders' Investment	4,935,907	4,448,006
Noncontrolling Interest	3,790	3,400
Total Shareholders' Investment	4,939,697	4,451,406
Total Liabilities and Shareholders' Investment	\$ 6,975,908	\$ 6,370,067

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Operations

(in thousands, except per share amounts)	Fiscal Year Ended		
	October 29, 2017	October 30, 2016**	October 25, 2015*
Net sales	\$9,167,519	\$9,523,224	\$9,263,863
Cost of products sold	7,164,356	7,365,049	7,455,282
Gross Profit	2,003,163	2,158,175	1,808,581
Selling, general and administrative	762,104	871,974	743,611
Goodwill/intangible impairment	180	991	21,537
Equity in earnings of affiliates	39,590	38,685	23,887
Operating Income	1,280,469	1,323,895	1,067,320
Other income and expense:			
Interest and investment income	10,859	6,191	2,934
Interest expense	(12,683)	(12,871)	(13,111)
Earnings Before Income Taxes	1,278,645	1,317,215	1,057,143
Provision for income taxes	431,542	426,698	369,879
Net Earnings	847,103	890,517	687,264
Less: Net earnings attributable to noncontrolling interest	368	465	1,176
Net Earnings Attributable to Hormel Foods Corporation	\$ 846,735	\$ 890,052	\$ 686,088
Net Earnings per Share:			
Basic	\$ 1.60	\$ 1.68	\$ 1.30
Diluted	\$ 1.57	\$ 1.64	\$ 1.27
Weighted-Average Shares Outstanding:			
Basic	528,363	529,290	528,143
Diluted	539,116	542,473	541,002

*Shares and par values have been restated, as appropriate, to reflect the two-for-one stock split distributed on February 9, 2016.

**Fiscal 2016 included 53 weeks.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(in thousands)	Fiscal Year Ended		
	October 29, 2017	October 30, 2016*	October 25, 2015
Net earnings	\$847,103	\$890,517	\$687,264
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(1,335)	(6,718)	(7,135)
Pension and other benefits	54,077	(69,286)	(21,280)
Deferred hedging	(4,492)	5,109	9,823
Total Other Comprehensive Income (Loss)	48,250	(70,895)	(18,592)

Comprehensive Income	895,353	819,622	668,672
Less: Comprehensive income attributable to noncontrolling interest	390	205	947
Comprehensive Income Attributable to Hormel Foods Corporation	\$894,963	\$819,417	\$667,725

*Fiscal 2016 included 53 weeks.

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Changes in Shareholders' Investment

(in thousands, except per share amounts)	Hormel Foods Corporation Shareholders								Total Shareholders' Investment
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	
	Shares*	Amount	Shares*	Amount					
Balance at October 26, 2014	527,226	\$7,724	—	\$ —	\$ —	\$3,805,654	\$(207,700)	\$6,378	\$3,612,056
Net earnings						686,088		1,176	687,264
Other comprehensive loss							(18,363)	(229)	(18,592)
Purchases of common stock			(800)	(24,928)					(24,928)
Stock-based compensation expense		1			15,716				15,717
Exercise of stock options/ nonvested shares	1,986	28			9,527				9,555
Purchase of additional ownership from noncontrolling interest					(11,881)		395	(2,549)	(14,035)
Shares retired	(800)	(12)	800	24,928	(13,362)	(11,554)			—
Distribution to noncontrolling interest								(1,581)	(1,581)
Declared cash dividends — \$0.50 per share*						(264,063)			(264,063)
Balance at October 25, 2015	528,412	\$7,741	—	\$ —	\$ —	\$4,216,125	\$(225,668)	\$3,195	\$4,001,393
Net earnings						890,052		465	890,517
Other comprehensive loss							(70,635)	(260)	(70,895)
Purchases of common stock			(2,386)	(87,885)					(87,885)
Stock-based compensation expense		1			17,828				17,829
Exercise of stock options/ nonvested shares	2,458	35			7,476				7,511
Shares retired	(2,386)	(35)	2,386	87,885	(25,304)	(62,546)			—
Declared cash dividends — \$0.58 per share						(307,064)			(307,064)
Balance at October 30, 2016	528,484	\$7,742	—	\$ —	\$ —	\$4,736,567	\$(296,303)	\$3,400	\$4,451,406
Net earnings						846,735		368	847,103
Other comprehensive income							48,228	22	48,250
Purchases of common stock			(2,738)	(94,487)					(94,487)
Stock-based compensation expense		1			15,590				15,591
Exercise of stock options/ nonvested shares	2,678	38			30,827				30,865
Shares retired	(2,738)	(40)	2,738	94,487	(32,747)	(61,700)			—
Declared cash dividends — \$0.68 per share						(359,031)			(359,031)
Balance at October 29, 2017	528,424	\$7,741	—	\$ —	\$13,670	\$5,162,571	\$(248,075)	\$3,790	\$4,939,697

*Shares and par values have been restated, as appropriate, to reflect the two-for-one stock split distributed on February 9, 2016.

See Notes to Consolidated Financial Statements

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Consolidated Statements of Cash Flows

(in thousands)	Fiscal Year Ended		
	October 29, 2017	October 30, 2016*	October 25, 2015
Operating Activities			

Net earnings	\$ 847,103	\$ 890,517	\$ 687,264
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	122,594	123,581	125,292
Amortization of intangibles	8,383	8,387	8,142
Goodwill/intangible impairment	180	991	21,537
Equity in earnings of affiliates, net of dividends	(12,069)	7,505	13,438
Provision for deferred income taxes	62,166	44,327	19,979
Loss (gain) on property/equipment sales and plant facilities	322	80	(5,240)
Non-cash investment activities	(4,864)	(1,287)	(847)
Stock-based compensation expense	15,591	17,829	15,717
Excess tax benefit from stock-based compensation	(29,513)	(47,657)	(22,950)
Changes in operating assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	(28,091)	21,389	22,451
Decrease (increase) in inventories	41,312	(12,281)	82,437
(Increase) decrease in prepaid expenses and other current assets	(22,459)	13,235	20,519
(Decrease) increase in pension and post-retirement benefits	(13,275)	(34,510)	(28,999)
(Decrease) increase in accounts payable and accrued expenses	(2,553)	(40,783)	(7,429)
Increase (decrease) in net income taxes payable	25,369	1,525	42,116
Other	–	–	(1,435)
Net Cash Provided by Operating Activities	\$1,010,196	\$ 992,848	\$ 991,992
Investing Activities			
Proceeds from sale of business	\$ 135,944	\$ 110,149	\$ –
Acquisitions of businesses/intangibles	(520,463)	(280,889)	(770,587)
Purchases of property/equipment	(221,286)	(255,524)	(144,063)
Proceeds from sales of property/equipment	4,010	6,227	18,501
Decrease (increase) in investments, equity in affiliates, and other assets	8,792	11,078	(4,798)
Net Cash Used in Investing Activities	\$ (593,003)	\$(408,959)	\$(900,947)
Financing Activities			
Proceeds from short-term debt	\$ 280,000	\$ 245,000	\$ 350,000
Principal payments on short-term debt	(280,000)	(430,000)	(165,000)
Dividends paid on common stock	(346,010)	(296,493)	(250,834)
Share repurchase	(94,487)	(87,885)	(24,928)
Proceeds from exercise of stock options	21,726	12,075	10,468
Excess tax benefit from stock-based compensation	29,513	47,657	22,950
Distribution to noncontrolling interest	–	–	(1,581)
Payments to noncontrolling interest	–	–	(11,702)
Net Cash Used in Financing Activities	\$ (389,258)	\$(509,646)	\$ (70,627)
Effect of exchange rate changes on cash	1,044	(6,339)	(7,353)
Increase in Cash and Cash Equivalents	28,979	67,904	13,065
Cash and cash equivalents at beginning of year	415,143	347,239	334,174
Cash and Cash Equivalents at End of Year	\$ 444,122	\$ 415,143	\$ 347,239

*Fiscal 2016 included 53 weeks.

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements October 29, 2017

Note A

Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Hormel Foods Corporation (the Company) and all of its majority-owned subsidiaries after elimination of intercompany accounts, transactions, and profits.

Stock Split: On November 23, 2015, the Company's Board of Directors authorized a two-for-one split of the Company's voting

price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). ASC 820 establishes a fair value hierarchy which requires assets and liabilities measured at fair value to be categorized into one of three levels based on the inputs used in the valuation. The Company classifies assets and liabilities in their entirety based on the lowest level of input significant to the fair value measurement. The three levels are defined as follows:

Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than those included in Level 1,

common stock, which was subsequently approved by shareholders at the Company's Annual Meeting on January 26, 2016, and effected on January 27, 2016. The Company's voting common stock was reclassified by reducing the par value from \$.0293 per share to \$.01465 per share and the number of authorized shares was increased from 800 million to 1.6 billion shares, in order to effect the two-for-one stock split. The Company distributed the additional shares of \$.01465 par value common stock on February 9, 2016, and the shares began trading at the post-split price on February 10, 2016.

Unless otherwise noted, all prior year share amounts and per share calculations throughout this Annual Report have been restated to reflect the impact of this split and to provide data on a comparable basis. Such restatements include calculations regarding the Company's weighted-average shares, earnings per share, and dividends per share, as well as disclosures regarding the Company's stock-based compensation plans and share repurchase activity.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fiscal Year: The Company's fiscal year ends on the last Sunday in October. Fiscal years 2017 and 2015 consisted of 52 weeks and fiscal 2016 consisted of 53 weeks.

Cash and Cash Equivalents: The Company considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents. The Company's cash equivalents as of October 29, 2017, and October 30, 2016, consisted primarily of bank deposits, money market funds rated AAA, or other highly liquid investment accounts. The Net Asset Value (NAV) of the Company's money market funds is based on the market value of the securities in their portfolio.

Fair Value Measurements: Pursuant to the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820), the Company measures certain assets and liabilities at fair value or discloses the fair value of certain assets and liabilities recorded at cost in the consolidated financial statements. Fair value is calculated as the

based on quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets.

Level 3: Unobservable inputs that reflect an entity's own assumptions about what inputs a market participant would use in pricing the asset or liability based on the best information available in the circumstances.

See additional discussion regarding the Company's fair value measurements in Notes G, H, and M.

Investments: The Company maintains a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. Under the plans, the participants can defer certain types of compensation and elect to receive a return on the deferred amounts based on the changes in fair value of various investment options, primarily a variety of mutual funds. The Company has corporate-owned life insurance policies on certain participants in the deferred compensation plans. The cash surrender value of the policies is included in other assets on the Consolidated Statements of Financial Position. The securities held by the trust are classified as trading securities. Therefore, unrealized gains and losses associated with these investments are included in the Company's earnings. Securities held by the trust generated gains of \$6.2 million, \$2.6 million, and \$2.4 million for fiscal years 2017, 2016, and 2015, respectively.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method. Adjustments to the Company's lower of cost or market inventory reserve are reflected in cost of products sold in the Consolidated Statements of Operations.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. The Company uses the straight-line method in computing depreciation. The annual provisions for depreciation have been computed principally using the following ranges of asset lives: buildings 20 to 40 years, machinery and equipment 5 to 10 years.

Internal-use software development and implementation costs are expensed until the Company has determined that the software will result in probable future economic benefits, and management has committed to funding the project. Thereafter,

all material development and implementation costs, and purchased software costs are capitalized as part of machinery and equipment and amortized using the straight-line method over the remaining estimated useful lives.

Goodwill and Other Indefinite-Lived Intangibles: Indefinite-lived intangible assets are originally recorded at their estimated fair values at date of acquisition and the residual of the purchase price is recorded to goodwill. Goodwill and other indefinite-lived intangible assets are allocated to reporting units that will receive the related sales and income. Goodwill and indefinite-lived intangible assets are tested annually for impairment, or more frequently if impairment indicators arise.

In conducting the annual impairment test for goodwill, the Company has the option to first assess qualitative factors to determine whether it is more likely than not (> 50% likelihood) that the fair value of any reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is

is estimated using discounted cash flow valuations (Level 3), which incorporate assumptions regarding future growth rates, terminal values, and discount rates. The estimates and assumptions used consider historical performance and are consistent with the assumptions used in determining future profit plans for each reporting unit, which are approved by the Company's Board of Directors. If the quantitative assessment results in the carrying value exceeding the fair value of any reporting unit, then the results from the quantitative analysis will be relied upon to determine both the existence and amount of goodwill impairment. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

During the fourth quarter of fiscal 2017, the Company completed its annual impairment tests and elected to perform a quantitative assessment. As a result of the quantitative testing during fiscal 2017 and qualitative testing during fiscal years 2016 and 2015, no impairment charges were recorded other than for the Company's Diamond Crystal Brands (DCB) assets divested during fiscal 2016. See additional discussion regarding the Company's assets held for

required. Alternatively, the Company may elect not to perform the qualitative assessment and proceed directly to the quantitative impairment test.

Prior to the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeded its fair value, the Company completed the second step of the test to determine the amount of goodwill impairment loss, if any, to be recognized. In the second step, the Company estimated an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The impairment loss was equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill. As a result of adopting Accounting Standards Update (ASU) 2017-04, *Simplifying the Test for Goodwill Impairment (Topic 350)*, beginning in the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeds its fair value, the Company recognizes an impairment loss equal to the difference between the carrying value and estimated fair value of the reporting unit.

In conducting a qualitative assessment, the Company analyzes actual and projected growth trends for net sales, gross margin, and segment profit for each reporting unit, as well as historical performance versus plan and the results of prior quantitative tests performed. Additionally, the Company assesses critical areas that may impact its business, including macroeconomic conditions and the related impact, market-related exposures, any plans to market for sale all or a portion of their business, competitive changes, new or discontinued product lines, changes in key personnel, or any other potential risks to their projected financial results.

If performed, the quantitative goodwill impairment test is performed at the reporting unit level. First, the fair value of each reporting unit is compared to its corresponding carrying value, including goodwill. The fair value of each reporting unit

sale in Note E.

In conducting the annual impairment test for its indefinite-lived intangible assets, the Company first performs a qualitative assessment to determine whether it is more likely than not (> 50% likelihood) that an indefinite-lived intangible asset is impaired. If the Company concludes that this is the case, then a quantitative test for impairment must be performed. Otherwise, the Company does not need to perform a quantitative test.

In conducting the qualitative assessment, the Company analyzes growth rates for historical and projected net sales and the results of prior quantitative tests performed. Additionally, each reporting unit assesses critical areas that may impact their intangible assets or the applicable royalty rates to determine if there are factors that could indicate impairment of the asset.

If performed, the quantitative impairment test compares the fair value and carrying value of the indefinite-lived intangible asset. The fair value of indefinite-lived intangible assets is primarily determined on the basis of estimated discounted value, using the relief from royalty method (Level 3), which incorporates assumptions regarding future sales projections and discount rates. If the carrying value exceeds fair value, the indefinite-lived intangible asset is considered impaired and an impairment charge is recorded for the difference. Even if not required, the Company periodically elects to perform the quantitative test in order to confirm the qualitative assessment.

A quantitative assessment was conducted in the fourth quarter of fiscal 2017. The Company recorded no material impairment charges for indefinite-lived intangible assets for fiscal years 2017, 2016, or 2015. See additional discussion regarding impairment charges in Note D.

Impairment of Long-Lived Assets and Definite-Lived Intangible

Assets: Definite-lived intangible assets are amortized over their estimated useful lives. The Company reviews long-lived assets and definite-lived intangible assets for impairment annually, or more frequently when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the assets and any related goodwill, the carrying value is reduced to the estimated fair value. No material write-downs were recorded in fiscal years 2017, 2016, or 2015.

Assets Held for Sale: The Company classifies assets as held for sale when management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the business held for sale are then recorded at the lower of their current carrying value or the fair market value, less costs to sell. See additional discussion regarding the Company's assets held for sale in Note E.

Employee Benefit Plans: The Company has elected to use the corridor approach to recognize expenses related to its defined benefit pension and other post-retirement benefit plans. Under the corridor approach, actuarial gains or losses resulting from experience different from that assumed and from changes in assumptions are deferred and amortized over future periods. For the defined benefit pension plans, the unrecognized gains and losses are amortized when the net gain or loss exceeds 10.0% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year. For the other post-retirement plans, the unrecognized gains and losses are amortized when the net gain or loss exceeds 10.0% of the accumulated pension benefit obligation at the beginning of the year.

Foreign Currency Translation: Assets and liabilities denominated in foreign currency are translated at the current exchange rate as of the statement of financial position date, and amounts in the statement of operations are translated at the average monthly exchange rate. Translation adjustments resulting from fluctuations in exchange rates are recorded as a component of accumulated other comprehensive loss in shareholders' investment.

When calculating foreign currency translation, the Company deemed its foreign investments to be permanent in nature and has not provided for taxes on currency translation adjustments arising from converting the investment in a foreign currency to U.S. dollars.

Derivatives and Hedging Activity: The Company uses commodity and currency positions to manage its exposure to price fluctuations in those markets. The contracts are recorded at fair value on the Consolidated Statements of Financial Position within other current assets or accounts payable. Additional information on hedging activities is presented in Note H.

Equity Method Investments: The Company has a number of investments in joint ventures where its voting interests are in excess of 20 percent but not greater than 50 percent and for which there are no other indicators of control. The Company accounts for such investments under the equity method of accounting, and its underlying share of each investee's equity is reported in the Consolidated Statements of Financial Position as part of investments in and receivables from affiliates.

The Company regularly monitors and evaluates the fair value of its equity investments. If events and circumstances indicate that a

For plans with active employees, net gains or losses in excess of the corridor are amortized over the average remaining service period of participating employees expected to receive benefits under those plans. For plans with only retiree participants, net gains or losses in excess of the corridor are amortized over the average remaining life of the retirees receiving benefits under those plans.

Contingent Liabilities: The Company may be subject to investigations, legal proceedings, or claims related to the on-going operation of its business, including claims both by and against the Company. Such proceedings typically involve claims related to product liability, contract disputes, wage and hour laws, employment practices, or other actions brought by employees, consumers, competitors, or suppliers. The Company establishes accruals for its potential exposure, as appropriate, for claims against the Company when losses become probable and reasonably estimable. Where the Company is able to reasonably estimate a range of potential losses, the Company records the amount within that range which constitutes the Company's best estimate. The Company also discloses the nature of and range of loss for claims against the Company when losses are reasonably possible and material.

temporary price reductions. These incentives are recognized as reductions of revenue at the time title passes. Coupons are used as an incentive for consumers to purchase various products. The coupons reduce revenues at the time they are offered, based on estimated redemption rates. Promotional contracts are performed by customers to promote the Company's products to consumers. These incentives reduce revenues at the time of performance through direct payments and accrued promotional funds. Accrued promotional funds are unpaid liabilities for promotional contracts in process or completed at the end of a quarter or fiscal year. Promotional contract accruals are based on a review of the unpaid outstanding contracts on which performance has taken place. Estimates used to determine the revenue reduction include the level of customer performance and the historical spend rate versus contracted rates.

Allowance for Doubtful Accounts: The Company estimates the allowance for doubtful accounts based on a combination of factors, including the age of its accounts receivable balances, customer history, collection experience, and current market factors. Additionally, a specific reserve may be established if the Company becomes aware of a customer's inability to meet its financial obligations.

Advertising Expenses: Advertising costs are expensed when incurred. Advertising expenses include all media advertising but exclude the costs associated with samples, demonstrations, and market research. Advertising costs for fiscal years 2017, 2016, and 2015 were \$135.6 million, \$204.1 million, and \$145.3 million, respectively.

Shipping and Handling Costs: The Company's shipping and handling expenses are included in cost of products sold.

Research and Development Expenses: Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses incurred for fiscal years 2017, 2016, and 2015 were \$34.2 million, \$34.7 million, and \$32.0 million, respectively.

Income Taxes: The Company records income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on

decline in the fair value of these assets has occurred and is other than temporary, the Company will record a charge in equity in earnings of affiliates in the Consolidated Statements of Operations. The Company's equity investments do not have a readily determinable fair value as none of them are publicly traded. The fair values of the Company's private equity investments are determined by discounting the estimated future cash flows of each entity. These cash flow estimates include assumptions on growth rates and future currency exchange rates (Level 3). Excluding charges related to the exit from international joint venture businesses in fiscal 2015, there were no other charges on any of the Company's equity investments in fiscal years 2017, 2016, or 2015. See additional discussion regarding the Company's equity method investments in Note I.

Revenue Recognition: The Company recognizes sales when title passes upon delivery of its products to customers, net of applicable provisions for discounts, returns, and allowances. Products are delivered upon receipt of customer purchase orders with acceptable terms, including price and reasonably assured collectability.

The Company offers various sales incentives to customers and consumers. Incentives offered off-invoice include prompt pay allowances, will call allowances, spoilage allowances, and

requisite service period. Stock-based compensation expense for grants made to retirement-eligible employees is recognized on the date of grant.

Share Repurchases: On January 29, 2013, the Company's Board of Directors authorized the repurchase of 10.0 million shares (pre-split) of its common stock with no expiration date. The Company may purchase shares of its common stock through open market and privately negotiated transactions at prices deemed appropriate by management. On November 23, 2015, the Company's Board of Directors authorized a two-for-one split of the Company's voting common stock. As part of the Board's approval of that stock split, the number of shares remaining to be repurchased was adjusted proportionately. The timing and amount of repurchase transactions under the repurchase authorization depend on market conditions as well as corporate and regulatory considerations. During the year ended October 29, 2017, the Company repurchased a total of 2.7 million shares at an average price of \$34.51. As of October 29, 2017, the remaining share repurchase authorization under the program was 10.5 million shares (post-split).

Supplemental Cash Flow Information: Non-cash investment activities presented on the Consolidated Statements of Cash Flows primarily consist of unrealized gains or losses on the Company's rabbi trust. The noted investments are included in other assets on the Consolidated Statements of Financial Position. Changes in the value of these investments are included in the Company's net earnings and are presented in the Consolidated Statements of Operations as either interest and investment income (loss) or interest expense, as appropriate.

On March 16, 2015, the Company purchased the remaining 19.29% ownership interest in its Shanghai Hormel Foods Corporation joint venture from the minority partner Shanghai Shanghai Meat Products Co. Ltd., resulting in 100.0% ownership of that business. The interest was purchased with \$11.7 million in cash, along with the transfer of land use rights and buildings held by the joint venture. The difference between the fair value of the consideration given and the reduction in the noncontrolling interest was recognized as an \$11.9 million reduction in additional paid-in capital attributable to the Company. The Company has continued to manufacture at the Shanghai facility by leasing the land use rights and buildings from

enacted tax law. Changes in enacted tax rates are reflected in the tax provision as they occur.

In accordance with ASC 740, *Income Taxes*, the Company recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. That position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Employee Stock Options: The Company records stock-based compensation expense in accordance with ASC 718, *Compensation – Stock Compensation*. For options subject to graded vesting, the Company recognizes stock-based compensation expense ratably over the shorter of the vesting period or

the previous minority partner. During fiscal 2017, the Company has been transitioning its operations from this facility to the new plant in Jiaxing. Production in Shanghai is expected to end in the first quarter of fiscal 2018.

Reclassifications: Certain reclassifications of previously reported amounts have been made to conform to the current year presentation. The reclassifications had no impact on net earnings or operating cash flows as previously reported.

Accounting Changes and Recent Accounting Pronouncements:

New Accounting Pronouncements adopted in current fiscal year

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (Topic 835)*. The amendments require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. The updated guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company retrospectively adopted the new provisions of this accounting standard at the beginning of fiscal 2017, and adoption did not have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement: Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) (Topic 820)*. The update provides guidance on the disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) as a practical expedient. The updated guidance is to be applied retrospectively and is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company adopted the new provisions of this accounting standard at the beginning of fiscal 2017, and adoption did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350)*. The updated guidance eliminates the second step of the two-step impairment test. The update modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An impairment charge should be recorded if a reporting unit's carrying amount exceeds its fair value, limited to the amount of goodwill allocated to that reporting unit. The updated guidance is effective for fiscal years beginning after December 15, 2019, and is to be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The provisions of this new accounting standard were early adopted in the fourth quarter of fiscal 2017 in connection with the Company's annual impairment testing. No impairment charges resulted from the Company's quantitative

New Accounting Pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This topic converges the guidance within U.S. GAAP and international financial reporting standards and supersedes ASC 605, *Revenue Recognition*. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions which were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year allowing early adoption as of the original effective date of December 15, 2016. In 2016 and 2017, the FASB issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, ASU 2016-20 and ASU 2017-13 to clarify, among other things, the implementation guidance related to principal versus agent considerations, identifying performance obligations and accounting for licenses of intellectual property. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and early adoption is permitted for annual reporting periods beginning after December 15, 2016. The updated guidance is to be applied either retrospectively or by using a cumulative effect adjustment. The Company will adopt the provisions of this new accounting standard at the beginning of fiscal 2019. The Company has completed a significant portion of its detailed assessments relating to revenue streams and customer arrangements, and is focused on controls to support recognition and disclosure requirements under the new guidance. Based on the assessment to date, the Company does not expect the adoption of the new standard to have a material impact on its results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update requires lessees to put most leases on their balance sheets while recognizing expenses on their income statements in a manner similar to current U.S. GAAP. The guidance also eliminates current real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The updated guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The updated guidance is to be applied using modified retrospective method and early adoption is permitted. The Company expects to adopt the provisions of this new accounting standard at the beginning of fiscal 2020, and is in the process of evaluating the impact of adoption on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting (Topic 718)*. The update simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted in any interim or annual period, with adjustments reflected as of the beginning of the fiscal year. Accordingly, the Company will adopt the provisions of this new accounting standard at the beginning of fiscal 2018. This will result in realized excess tax benefits (“windfalls”) and tax deficiencies (“shortfalls”) upon exercise or vesting of stock-based awards being recorded in its Consolidated Statements of Operations instead of additional paid-in capital within its Consolidated Statements of Financial Position. In addition, realized windfalls of \$29.5 million in fiscal 2017 and \$47.7 million in fiscal 2016 will be reclassified from financing activities to operating activities in its Consolidated Statements of Cash Flows. These amounts may not necessarily be indicative of future amounts that may be recognized subsequent to the adoption of this new standard as windfall and shortfall tax benefits are dependent upon future stock prices, employee exercise behavior, and applicable tax rates. In accordance with ASU 2016-09, the Company has made the accounting policy election to continue to account for forfeitures as they occur.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 958)*. The update provides guidance on the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amendments replace the current incurred loss impairment methodology with a methodology to reflect expected credit losses and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The updated guidance is to be applied on a modified retrospective approach and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, and interim periods therein. The Company is currently assessing the timing and impact of adopting the updated provisions.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (Topic 230)*. The update makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted provided all amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company expects to early adopt the provisions of this new accounting standard at the

beginning of fiscal 2018. The Company does not expect a material impact to the presentation of its Statement of Cash Flows as a result of adoption.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes – Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)*. The updated guidance requires the recognition of the income tax consequences of an intra-entity asset transfer, other than transfers of inventory, when the transfer occurs. For intra-entity transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The updated guidance is effective for reporting periods beginning after December 15, 2017, with early adoption permitted only within the first interim period of a fiscal year. The guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently assessing the timing and impact of adopting the updated provisions.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. The updated guidance requires an employer to report the service cost component of net periodic pension cost and net periodic post-retirement benefit cost in the same line item or items as other compensation costs. The updated guidance also requires the other components of net periodic pension cost and net periodic post-retirement benefit cost to be presented in the income statement separately from the service cost component and outside income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The updated guidance should be applied retrospectively for the presentation of the service cost component and other components of net benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net benefit cost. The Company expects to adopt the provisions of this new accounting standard at the beginning of fiscal 2019 and is currently assessing the impact on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities (Topic 815)*. The updated guidance expands an entity’s ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. Entities will apply the amendments to cash flow and net investment

hedge relationships that exist on the date of adoption using a modified retrospective approach. The presentation and disclosure requirements apply prospectively. The updated guidance is effective for fiscal years beginning after December 15, 2018, including interim

Allocations are based on the acquisition method of accounting and in-process third party valuation appraisals. Refer to Note D for preliminary amounts assigned to goodwill and intangible assets.

periods within those years. Early adoption is permitted in any interim or annual period. The Company is currently assessing the timing and impact of adopting the updated provisions.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they either are not relevant to the Company, or they are not expected to have a material effect on its business practices, financial condition, results of operations, or disclosures.

Note B

Acquisitions

On August 22, 2017, the Company acquired Cidade do Sol (Ceratti) for a preliminary purchase price of approximately \$103.5 million, subject to customary working capital adjustments. The transaction was funded by the Company with cash on hand. The Company has completed a preliminary allocation of the fair value of Ceratti. Allocations are based on the acquisition method of accounting and in-process third party valuation appraisals. Refer to Note D for preliminary amounts assigned to goodwill and intangible assets.

Ceratti is a growing, branded, value-added meats company in Brazil offering more than 70 products in 15 categories including authentic meats such as mortadella, sausage, and salami for Brazilian retail and foodservice markets under the popular *Ceratti*[®] brand. The acquisition of the *Ceratti*[®] brand allows the Company to establish a full in-country presence in the fast-growing Brazilian market with a premium brand.

Operating results for this acquisition have been included in the Company's Consolidated Statements of Operations from the date of acquisition and are reflected in the International & Other segment.

On August 16, 2017, the Company acquired Fontanini Italian Meats and Sausages (Fontanini), a branded foodservice business, from Capitol Wholesale Meats, Inc. for a preliminary purchase price of \$427.9 million, subject to customary working capital adjustments. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately \$90.0 million. The transaction was funded by the Company with cash on hand and by utilizing short-term financing. The Company has completed a preliminary allocation of the fair value of Fontanini.

Fontanini specializes in authentic Italian meats and sausages, as well as a variety of other premium meat products including pizza toppings and meatballs and allows the Company to expand the foodservice business.

Operating results for this acquisition have been included in the Company's Consolidated Statements of Operations from the date of acquisition and are reflected in the Refrigerated Foods segment.

On May 26, 2016, the Company acquired Justin's, LLC (Justin's) of Boulder, Colorado, for a final purchase price of \$280.9 million. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately \$70.0 million. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. Primary assets acquired include goodwill of \$186.4 million and intangibles of \$89.9 million.

Justin's is a pioneer in nut butter-based snacking and this acquisition allows the Company to enhance its presence in the specialty natural and organic nut butter category, complementing *Skippy*[®] peanut butter products.

Operating results for this acquisition are included in the Company's Consolidated Statements of Operations from the date of acquisition and are reflected in the Grocery Products segment.

Note C

Inventories

Principal components of inventories are:

(in thousands)	October 29, 2017	October 30, 2016
Finished products	\$511,789	\$553,634
Raw materials and work-in-process	237,903	253,662
Materials and supplies	171,330	178,387
Total	\$921,022	\$985,683

Note D

Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the fiscal years ended October 29, 2017, and October 30, 2016, are presented in the table below. Additions relate to the acquisitions of Fontanini on August 16, 2017, and Ceratti on August 22, 2017, for fiscal 2017 and the acquisition of Justin's on May 26, 2016, for fiscal 2016. The reductions during fiscal years 2017 and 2016 are due to the sale of Farmer John on January 3, 2017, and DCB on May 9, 2016. See additional discussion regarding the Company's assets held for sale in Note E. Purchase adjustments in fiscal 2016 are related to the Applegate and CytoSport acquisitions.

(in thousands)	Grocery Products	Refrigerated Foods	Jennie-O Turkey Store	Specialty Foods	International & Other	Total
Balance as of October 25, 2015	\$322,421	\$584,684	\$203,214	\$424,907	\$164,258	\$1,699,484
Goodwill acquired	186,379	—	—	—	—	186,379
Purchase adjustments	—	(241)	—	—	—	(241)
Goodwill sold	—	—	—	(50,134)	—	(50,134)

Impairment charge	–	–	–	(991)	–	(991)
Balance as of October 30, 2016	\$508,800	\$584,443	\$203,214	\$373,782	\$164,258	\$1,834,497
Goodwill acquired	–	223,082	–	–	74,060	297,142
Goodwill sold	–	(11,826)	–	–	–	(11,826)
Balance as of October 29, 2017	\$508,800	\$795,699	\$203,214	\$373,782	\$238,318	\$2,119,813

The gross carrying amount and accumulated amortization for definite-lived intangible assets are presented in the table below. In fiscal 2017, the preliminary valuations for customer relationships of \$20.5 million were acquired related to Ceratti and \$10.0 million were acquired related to Fontanini. In fiscal 2016, customer relationships of \$5.8 million and non-compete agreements of \$1.4 million were acquired related to Justin's. Once fully amortized, the definite-lived intangible assets are removed from the table.

(in thousands)	October 29, 2017			October 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Avg Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Weighted-Avg Life (in Years)
Customer lists/relationships	\$115,940	\$(25,973)	12.3	\$88,240	\$(20,737)	12.2
Formulas and recipes	1,950	(1,950)	10.0	1,950	(1,796)	10.0
Other intangibles	3,100	(2,044)	5.8	3,520	(1,677)	6.3
Total	\$120,990	\$(29,967)	12.1	\$93,710	\$(24,210)	11.9

Amortization expense for the last three fiscal years was as follows:

(in millions)	
2017	\$8.4
2016	8.4
2015	8.1

Estimated annual amortization expense for the five fiscal years after October 29, 2017, is as follows:

(in millions)	
2018	\$9.8
2019	9.7
2020	9.6
2021	9.7
2022	9.4

The carrying amounts for indefinite-lived intangible assets are in the following table. The increases represent the fair value of tradenames acquired with Ceratti of \$15.8 million and Fontanini of \$100.4 million in fiscal 2017.

(in thousands)	October 29, 2017	October 30, 2016
Brands/tradenames/trademarks	\$935,807	\$825,774
Other intangibles	184	7,984
Total	\$935,991	\$833,758

During the fourth quarter of fiscal years 2017, 2016, and 2015, the Company completed the required annual impairment tests of indefinite-lived intangible assets and goodwill, with no impairment indicated other than for the Company's DCB assets divested during fiscal 2016. See additional discussion regarding the Company's assets held for sale in Note E. Useful lives of intangible assets were also reviewed during this process, with no changes identified.

Note E

Assets Held for Sale

At the end of fiscal 2016, the Company was actively marketing Clougherty Packing, LLC, parent company of Farmer John and Saag's Specialty Meats, along with PFFJ, LLC, farm operations in California, Arizona, and Wyoming (Farmer John). Through this process, the Company identified the specific assets and liabilities to be sold and allocated goodwill based on the relative fair values of the assets held for sale and the assets that would be retained by the Company. In November 2016, the Company entered into an agreement for the sale and the transaction closed on January 3, 2017. The purchase price was \$145 million in cash. The assets held for sale were reported within the Company's Refrigerated Foods segment. The assets held for sale were not material to the Company's annual net sales, net earnings, or earnings per share.

Amounts classified as assets and liabilities held for sale on October 30, 2016, were presented on the Company's Consolidated Statement of Financial Position within their respective accounts, and include the following:

Assets held for sale (in thousands)

Amounts classified as assets and liabilities held for sale on October 25, 2015 were presented on the Company's Consolidated Statement of Financial Position within their respective accounts, and include the following:

Assets held for sale (in thousands)	
Current assets	\$ 26,057
Goodwill	51,811
Intangibles	5,389
Property, plant and equipment	31,678
Total assets held for sale	\$114,935

Liabilities held for sale (in thousands)	
Total current liabilities held for sale	\$ 3,191

Note F

Long-term Debt and Other Borrowing Arrangements

Long-term debt consists of:

Current assets	\$ 80,861
Goodwill	12,703
Intangibles	14,321
Property, plant and equipment	74,812
Total assets held for sale	\$182,697
Liabilities held for sale (in thousands)	
Total current liabilities held for sale	\$ 44,066

In fiscal 2015, the Company began actively marketing a portion of DCB. Through this process, the Company identified the specific assets and liabilities to be sold and allocated goodwill based on the relative fair values of the assets held for sale and the assets that will be retained by the Company. In the second quarter of fiscal 2016, the Company entered into an agreement for the sale and recorded a \$1.0 million impairment charge based on the valuation of the assets as implied by the agreed-upon sales price. During the fourth quarter of fiscal 2015, a \$21.5 million goodwill impairment charge was recorded for the portion of DCB held for sale. The fair value of the net assets to be sold was determined using Level 2 inputs utilizing a market participant bid along with internal valuations of the business. The impairment charge was recorded on the Company's Consolidated Statements of Operations on the line item "Goodwill impairment charge." The transaction closed on May 9, 2016, resulting in proceeds, net of selling costs, of a closing price of \$110.1 million. DCB was reported within the Company's Specialty Foods segment. DCB provided approximately \$256 million of net sales in fiscal 2015. Net earnings and earnings per share were not material to the consolidated Company.

(in thousands)	October 29, 2017	October 30, 2016
Senior unsecured notes, with interest at 4.125%, interest due semi-annually through April 2021 maturity date	\$250,000	\$250,000
Less: current maturities	–	–
Total	\$250,000	\$250,000

The Company has a \$400.0 million unsecured revolving line of credit which was extended by one year during fiscal 2016 at the Company's discretion and matures in June 2021. The unsecured revolving line of credit bears interest at a variable rate based on LIBOR, and a fixed fee is paid for the availability of this credit line. As of October 29, 2017, and October 30, 2016, the Company had no outstanding draws from this line of credit.

The Company had a \$300.0 million term loan facility which expired in December 2016.

The Company is required by certain covenants in its debt agreements to maintain specified levels of financial ratios and financial position. At the end of the current fiscal year, the Company was in compliance with all of these covenants.

Total interest paid in the last three fiscal years is as follows:

(in millions)	
2017	\$12.7
2016	12.9
2015	13.1

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Note G

Pension and Other Post-retirement Benefits

The Company has several defined benefit plans and defined contribution plans covering most employees. Benefits for defined benefit pension plans covering hourly employees are provided based on stated amounts for each year of service, while plan benefits covering salaried employees are based on final average compensation. In fiscal 2011, an amendment was enacted for a defined benefit plan which included a change in the pension formula effective January 1, 2017. The amended formula remains a defined benefit formula, but bases the accrued

benefit credit on age and service and defines the benefit as a lump sum. Effective October 31, 2016, the 401(k) match for these participants was increased. Total costs associated with the Company's defined contribution benefit plans in fiscal years 2017, 2016, and 2015 were \$45.2 million, \$33.5 million, and \$31.7 million, respectively.

Certain groups of employees are eligible for post-retirement health or welfare benefits. Benefits for retired employees vary for each group depending on respective retirement dates and applicable plan coverage in effect. Contribution requirements for retired employees are governed by the Retiree Health Care Payment Program and may change each year as the cost to provide coverage is determined.

Net periodic cost of defined benefit plans included the following:

(in thousands)	Pension Benefits			Post-retirement Benefits		
	2017	2016	2015	2017	2016	2015
Service cost	\$ 30,256	\$ 26,951	\$ 28,795	\$ 1,106	\$ 1,297	\$ 1,795
Interest cost	54,263	55,728	52,522	11,630	13,346	13,479
Expected return on plan assets	(90,936)	(88,681)	(88,792)	–	–	–
Amortization of prior service cost	(3,000)	(4,120)	(4,878)	(4,274)	(4,282)	(1,337)
Recognized actuarial loss (gain)	26,166	20,318	18,476	2,424	1,617	(2)
Curtailment (gain) charge	–	(4,438)	–	–	–	–
Net periodic cost	\$ 16,749	\$ 5,758	\$ 6,123	\$10,886	\$11,978	\$13,935

Actuarial gains and losses and any adjustments resulting from plan amendments are deferred and amortized to expense over periods ranging from 9-23 years for pension benefits and 5-19 years for post-retirement benefits. The following amounts have not been recognized in net periodic pension cost and are included in accumulated other comprehensive loss:

(in thousands)	Pension Benefits		Post-retirement Benefits	
	2017	2016	2017	2016
Unrecognized prior service credit	\$ 10,565	\$ 17,049	\$ 4,585	\$ 13,845
Unrecognized actuarial losses	(380,114)	(464,091)	(30,857)	(44,258)

The following amounts are expected to be recognized in net periodic benefit expense in fiscal 2018:

(in thousands)	Pension Benefits	Post-retirement Benefits
Amortized prior service credit	\$ (2,468)	\$(2,842)
Recognized actuarial losses	18,165	179

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The following is a reconciliation of the beginning and ending balances of the benefit obligation, the fair value of plan assets, and the funded status of the plans as of the October 29, 2017, and the October 30, 2016, measurement dates:

(in thousands)	Pension Benefits		Post-retirement Benefits	
	2017	2016	2017	2016
Change in benefit obligation				
Benefit obligation at beginning of year	\$1,394,870	\$1,248,209	\$317,472	\$334,544
Service cost	30,256	26,951	1,106	1,297
Interest cost	54,263	55,728	11,630	13,346
Actuarial loss (gain)	35,379	112,208	(10,977)	5,285
Plan amendments	3,483	6,884	4,986	(15,283)
Curtailement (gain) loss	—	(674)	—	—
Participant contributions	—	—	2,661	2,959
Medicare Part D subsidy	—	—	1,355	2,090
Benefits paid	(58,153)	(54,436)	(23,550)	(26,766)
Benefit obligation at end of year	\$1,460,098	\$1,394,870	\$304,683	\$317,472

(in thousands)	Pension Benefits		Post-retirement Benefits	
	2017	2016	2017	2016
Change in plan assets				
Fair value of plan assets at beginning of year	\$1,232,626	\$1,179,777	\$ —	\$ —
Actual return on plan assets	184,126	76,756	—	—
Participant contributions	—	—	2,661	2,959
Employer contributions	21,354	30,529	20,889	23,807
Benefits paid	(58,153)	(54,436)	(23,550)	(26,766)
Fair value of plan assets at end of year	\$1,379,953	\$1,232,626	\$ —	\$ —
Funded status at end of year	\$ (80,145)	\$ (162,244)	\$(304,683)	\$(317,472)

Amounts recognized in the Consolidated Statements of Financial Position as of October 29, 2017, and October 30, 2016, are as follows:

(in thousands)	Pension Benefits		Post-retirement Benefits	
	2017	2016	2017	2016
Pension assets	\$ 171,990	\$ 68,901	\$ —	\$ —
Employee-related expenses	(5,957)	(5,425)	(20,612)	(20,836)
Pension and post-retirement benefits	(246,178)	(225,720)	(284,071)	(296,636)
Net amount recognized	\$ (80,145)	\$(162,244)	\$(304,683)	\$(317,472)

The accumulated benefit obligation for all pension plans was \$1.4 billion as of October 29, 2017, and \$1.4 billion as of October 30, 2016.

The following table provides information for pension plans with accumulated benefit obligations in excess of plan assets:

(in thousands)	2017	2016
Projected benefit obligation	\$252,136	\$231,145
Accumulated benefit obligation	247,687	225,364
Fair value of plan assets	—	—

Weighted-average assumptions used to determine net periodic benefit costs are as follows:

	2017	2016	2015
Discount rate	3.94%	4.50%	4.31%
Rate of future compensation increase (for plans that base benefits on final compensation level)	3.96%	3.92%	3.94%

Weighted-average assumptions used to determine benefit obligations are as follows:

	2017	2016
Discount rate	3.91%	3.94%
Rate of future compensation increase (for plans that base benefits on final compensation level)	3.95%	3.96%

Expected long-term return on plan assets	7.50%	7.60%	7.70%
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The expected long-term rate of return on plan assets is based on fair value and is developed in consultation with outside advisors. A range is determined based on the composition of the asset portfolio, historical long-term rates of return, and estimates of future performance.

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For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits for pre-Medicare and post-Medicare retirees' coverage is assumed for 2018. The pre-Medicare and post-Medicare rate is assumed to decrease to 5.0% for 2023, and remain steady thereafter.

The assumed discount rate, expected long-term rate of return on plan assets, rate of future compensation increase, and health care cost trend rate have a significant impact on the amounts reported for the benefit plans. A one-percentage-point change in these rates would have the following effects:

(in thousands)	1-Percentage-Point			
	Expense		Benefit Obligation	
	Increase	Decrease	Increase	Decrease
Pension benefits				
Discount rate	\$ (13,582)	\$ 17,240	\$(188,947)	\$238,709
Expected long-term rate of return on plan assets	(13,574)	13,574	—	—
Rate of future compensation increase	3,521	(3,102)	3,131	(2,774)
Post-retirement benefits				
Discount rate	\$ 1,183	\$ 4,414	\$ (28,891)	\$ 34,829
Health care cost trend rate	1,386	(1,187)	31,157	(26,649)

The Company's funding policy is to make annual contributions of not less than the minimum required by applicable regulations. Based on the October 29, 2017, measurement date, the Company anticipates making contributions of \$15.5 million to fund the pension plans during fiscal 2018. The Company also expects to make contributions of \$27.1 million during fiscal 2018 that represent benefit payments for unfunded plans.

Benefits expected to be paid over the next ten fiscal years are as follows:

(in thousands)	Pension Benefits	Post-retirement Benefits
2018	\$ 60,374	\$21,003
2019	62,903	21,038
2020	65,920	20,813
2021	68,794	20,779
2022	71,836	20,664
2023-2027	414,167	97,888

Post-retirement benefits are net of expected federal subsidy receipts related to prescription drug benefits granted under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which are estimated to be \$0.6 million per year through 2027.

The actual and target weighted-average asset allocations for the Company's pension plan assets as of the plan measurement date are as follows:

Asset Category	2017		2016	
	Actual %	Target Range %	Actual %	Target Range %
Large capitalization equity	22.1	12-22	21.7	12-22
Small capitalization equity	5.4	3-13	5.2	3-13
International equity	15.1	10-20	13.7	10-20
Global equity	12.0	5-20	10.5	5-20
Private equity	5.4	0-15	5.5	0-15
Total equity securities	60.0	50-75	56.6	50-75
Fixed income	33.5	25-45	36.4	25-45
Real estate	5.0	0-10	5.0	0-10

Target allocations are established in consultation with outside advisors through the use of asset-liability modeling to attempt to match the duration of the plan assets with the duration of the Company's projected benefit liability. The asset allocation strategy attempts to minimize the long-term cost of pension benefits, reduce the volatility of pension expense, and achieve a healthy funded status for the plans.

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The following tables show the categories of defined benefit pension plan assets and the level under which fair values were determined in the fair value hierarchy. Assets measured at fair value using the net asset value (NAV) per share practical expedient are not required to be classified in the fair value hierarchy. These amounts are provided to permit reconciliation to the total fair value of plan assets.

(in thousands)	Fair Value Measurements as of October 29, 2017			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets in fair value hierarchy				
Cash equivalents ⁽¹⁾	\$ 21,653	\$ 21,653	\$ -	\$ -
Large capitalization equity ⁽²⁾				
Domestic	189,536	189,536	-	-
Foreign	47,069	47,069	-	-
Small capitalization equity ⁽³⁾				
Domestic	64,448	64,448	-	-
Foreign	9,486	9,486	-	-
Private equity ⁽⁴⁾				
Domestic	53,652	-	-	53,652
International	20,552	-	-	20,552
Fixed income ⁽⁵⁾				
US government issues	159,690	154,977	4,713	-
Municipal issues	21,002	-	21,002	-
Corporate issues – domestic	228,753	-	228,753	-
Corporate issues – foreign	52,610	-	52,610	-
Plan assets in fair value hierarchy	\$ 868,451	\$487,169	\$307,078	\$74,204
Plan assets at net asset value				
Large capitalization equity – domestic ⁽⁶⁾	\$ 68,579			
International equity – mutual fund ⁽⁷⁾	123,608			
International equity – collective trust ⁽⁸⁾	85,317			
Global equity – mutual fund ⁽⁹⁾	165,138			
Real estate – domestic ⁽¹⁰⁾	68,860			
Plan assets at net asset value	\$ 511,502			
Total plan assets at fair value	\$1,379,953			

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(in thousands)	Fair Value Measurements as of October 29, 2017			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets in fair value hierarchy				
Cash equivalents ⁽¹⁾	\$ 24,412	\$ 24,412	\$ -	\$ -
Large capitalization equity ⁽²⁾				
Domestic	156,495	156,495	-	-
Foreign	32,795	32,795	-	-
Small capitalization equity ⁽³⁾				
Domestic	52,599	52,599	-	-
Foreign	11,173	11,173	-	-
Private equity ⁽⁴⁾				

Domestic	54,613	–	–	54,613
International	13,489	–	–	13,489
Fixed income ⁽⁵⁾				
US government issues	153,333	126,673	26,660	–
Municipal issues	21,451	–	21,451	–
Corporate issues – domestic	224,963	–	224,963	–
Corporate issues – foreign	48,328	–	48,328	–
Plan assets in fair value hierarchy	\$ 793,651	\$404,147	\$321,402	\$68,102
Plan assets at net asset value				
Large capitalization equity – domestic ⁽⁶⁾	\$ 78,138			
International equity – mutual fund ⁽⁷⁾	99,635			
International equity – collective trust ⁽⁸⁾	69,184			
Global equity – mutual fund ⁽⁹⁾	129,014			
Real estate – domestic ⁽¹⁰⁾	63,004			
Plan assets at net asset value	\$ 438,975			
Total plan assets at fair value	\$1,232,626			

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments:

- (1) Cash Equivalents: These Level 1 investments consist primarily of highly liquid money market mutual funds traded in active markets.
- (2) Large Capitalization Equity: The Level 1 investments include a mix of predominately U.S. common stocks and foreign common stocks, which are valued at the closing price reported on the active market in which the individual securities are traded.
- (3) Small Capitalization Equity: The Level 1 investments include a mix of predominately U.S. common stocks and foreign common stocks, which are valued at the closing price reported on the active market in which the individual securities are traded.
- (4) Private Equity: These Level 3 investments consist of various collective investment funds, which are managed by a third party, invested in a well-diversified portfolio of equity investments from top performing, high quality firms focused on U.S. and foreign small to mid-markets, venture capitalists, and entrepreneurs with a concentration in areas of innovation. Investment strategies include buyouts, growth capital, buildups, and distressed, as well as early stages of company development mainly in the U.S. The fair value of the units for these investments is based on the fair value of the underlying investments and the NAV can be calculated for these funds.
- (5) Fixed Income: The Level 1 investments include U.S. Treasury bonds and notes, which are valued at the closing price reported on the active market in which the individual securities are traded. The Level 2 investments consist principally of U.S. government securities, which are valued daily using institutional bond quote sources and mortgage-backed securities pricing sources and municipal, domestic, and foreign securities, which are valued daily using institutional bond quote sources.
- (6) Large Capitalization Equity – Domestic: The collective investment is valued at the publicly available NAV of shares held by the Master Trust at year end. The investment objective is to maintain a portfolio of equity securities that approximate the weighted total rate of return within the Standard & Poor's 500 stock index. There are no restrictions on redemptions.
- (7) International Equity – Mutual Funds: The mutual funds are valued at the publicly available NAV of shares held by the Master Trust at year end. The investment seeks long term growth of principal and income by investing in medium to large well established companies. There are no restrictions on redemptions.
- (8) International Equity – Collective Trust: The collective investment funds are valued at the NAV of shares held by the Master Trust at year end. The investment objective of this fund is to generate a long term return through investments in quoted international equities. Redemptions can be made on a monthly basis as of the first business day of each month.
- (9) Global Equity – Mutual Fund: This investment includes an open-ended mutual fund consisting of a mix of U.S. common stocks and foreign common stocks, which is valued at the publicly available NAV of shares held by the Master Trust at year end. The investment strategy is to obtain long term capital appreciation by focusing on companies generating above average earnings growth and are leading growth businesses in the marketplace. There are no restrictions on redemptions.
- (10) Real Estate: These investments include ownership in open-ended real estate funds, which manage diversified portfolios of commercial properties within the office, residential, retail, and industrial property sectors. Investment strategies aim to acquire, own, hold, or dispose of investments with the goal of achieving current income and/or capital appreciation. The real estate investments are valued at the NAV of shares held by the Master Trust. Requests to redeem shares are granted on a quarterly basis with either 45 or 90 days advance notice, subject to availability of cash.

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A reconciliation of the beginning and ending balance of the investments measured at fair value using significant unobservable inputs (Level 3) is as follows:

(in thousands)	2017	2016
Beginning balance	\$68,102	\$71,775
Purchases, issuances, and settlements (net)	(8,630)	(7,109)
Unrealized (losses) gains	(2,251)	(6,903)
Realized gains	15,560	4,276
Interest and dividend income	1,423	6,063

the next fiscal year. As of October 29, 2017, and October 30, 2016, the Company had the following outstanding commodity futures contracts that were entered into to hedge forecasted purchases:

Commodity	Volume	
	October 29, 2017	October 30, 2016
Corn	11.5 million bushels	22.4 million bushels
Lean hogs	0.3 million cwt	–

As of October 29, 2017, the Company has included in AOCL hedging gains of \$1.8 million (before tax) relating to its positions, compared to

Ending balance	\$74,204	\$68,102
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The Company has commitments totaling \$125.0 million for the private equity investments within the pension plans. The unfunded private equity commitment balance for each investment category as of October 29, 2017, and October 30, 2016 is as follows:

(in thousands)	2017	2016
Domestic equity	\$ 1,585	\$ 4,696
International equity	41,076	7,873
Unfunded commitment balance	\$42,661	\$12,569

Funding for future private equity capital calls will come from existing pension plan asset investments and not from additional cash contributions into the Company's pension plans.

Note H

Derivatives and Hedging

The Company uses hedging programs to manage price risk associated with commodity purchases. These programs utilize futures contracts to manage the Company's exposure to price fluctuations in the commodities markets. The Company has determined its designated hedging programs to be highly effective in offsetting the changes in fair value or cash flows generated by the items hedged.

Cash Flow Hedges: The Company utilizes corn and lean hog futures to offset price fluctuations in the Company's future direct grain and hog purchases. The financial instruments are designated and accounted for as cash flow hedges, and the Company measures the effectiveness of the hedges at least quarterly. Effective gains or losses related to these cash flow hedges are reported in accumulated other comprehensive loss (AOCL) and reclassified into earnings, through cost of products sold, in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. The Company typically does not hedge its grain exposure beyond the next two upcoming fiscal years and its hog exposure beyond

gains of \$9.2 million (before tax) as of October 30, 2016. The Company expects to recognize the majority of these gains over the next 12 months.

Fair Value Hedges: The Company utilizes futures to minimize the price risk assumed when fixed forward priced contracts are offered to the Company's commodity suppliers. The intent of the program is to make the forward priced commodities cost nearly the same as cash market purchases at the date of delivery. The futures contracts are designated and accounted for as fair value hedges, and the Company measures the effectiveness of the hedges at least quarterly. Changes in the fair value of the futures contracts, along with the gain or loss on the hedged purchase commitment, are marked-to-market through earnings and are recorded on the Consolidated Statement of Financial Position as a current asset and liability, respectively. Effective gains or losses related to these fair value hedges are recognized through cost of products sold in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. As of October 29, 2017, and October 30, 2016, the Company had the following outstanding commodity futures contracts designated as fair value hedges:

Commodity	Volume	
	October 29, 2017	October 30, 2016
Corn	4.1 million bushels	3.6 million bushels
Lean hogs	0.4 million cwt	0.2 million cwt

Other Derivatives: The Company holds certain futures and options contract positions as part of a merchandising program and to manage the Company's exposure to fluctuations in commodity markets. The Company has not applied hedge accounting to these positions.

As of October 29, 2017, and October 30, 2016, the Company had the following outstanding futures and options contracts related to these programs:

Commodity	Volume	
	October 29, 2017	October 30, 2016
Corn	–	4.0 million bushels
Soybean meal	–	11,000 tons

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Fair Values: The fair values of the Company's derivative instruments as of October 29, 2017, and October 30, 2016, were as follows:

(in thousands)	Location on Consolidated Statements of Financial Position	Fair Value ⁽¹⁾	
		October 29, 2017	October 30, 2016
Asset derivatives			
Derivatives designated as hedges			
Commodity contracts	Other current assets	\$326	\$(194)
Derivatives not designated as hedges			
Commodity contracts	Other current assets	–	144
Total asset derivatives		\$326	\$ (50)

⁽¹⁾ Amounts represent the gross fair value of derivative assets and liabilities. The Company nets the derivative assets and liabilities for each of its hedging programs, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. The amount or timing of cash collateral balances may impact the classification of the derivative in the Consolidated Statement of Financial Position. See Note M "Fair Value Measurements" for a discussion of these net amounts as reported in the Consolidated Statements of Financial Position.

Derivative Gains and Losses: Gains or losses (before tax, in thousands) related to the Company's derivative instruments for the fiscal years ended October 29, 2017, and October 30, 2016, were as follows:

	Gain/(Loss) Recognized in AOCL (Effective Portion) ⁽¹⁾	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) ⁽¹⁾	Gain/(Loss) Recognized in Earnings (Ineffective Portion) ⁽²⁾⁽⁴⁾

	Fiscal Year Ended		Location on Consolidated Statements of Operations	Fiscal Year Ended		Fiscal Year Ended	
	October 29, 2017	October 30, 2016		October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Cash Flow Hedges							
Commodity contracts	\$(1,393)	\$6,852	Cost of products sold	\$5,994	\$(1,310)	\$156	\$(14,591)

	Location on Consolidated Statements of Operations	Gain/(Loss) Recognized in Earnings (Effective Portion) ⁽³⁾		Gain/(Loss) Recognized in Earnings (Ineffective Portion) ⁽²⁾⁽⁵⁾	
		Fiscal Year Ended		Fiscal Year Ended	
		October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Fair Value Hedges					
Commodity contracts	Cost of products sold	\$(327)	\$1,796	\$267	\$4,849

	Location on Consolidated Statements of Operations	Gain/(Loss) Recognized in Earnings	
		Fiscal Year Ended	
		October 29, 2017	October 30, 2016
Derivatives Not Designated as Hedges			
Commodity contracts	Cost of products sold	\$(408)	\$(796)

(1) Amounts represent gains or losses in AOCL before tax. See Note J for the after tax impact of these gains or losses on net earnings.

(2) There were no gains or losses excluded from the assessment of hedge effectiveness during the fiscal year. Fiscal 2016 includes the mark-to-market impact on certain corn futures contracts which resulted from a temporary suspension of hedge accounting due to market volatility.

(3) Amounts represent losses on commodity contracts designated as fair value hedges that were closed during the fiscal year, which were offset by a corresponding gain on the underlying hedged purchase commitment. Additional gains or losses related to changes in the fair value of open commodity contracts, along with the offsetting gain or loss on the hedged purchase commitment, are also marked-to-market through earnings with no impact on a net basis.

(4) There were no gains or losses resulting from the discontinuance of cash flow hedges during the fiscal year.

(5) There were no gains or losses recognized as a result of a hedged firm commitment no longer qualifying as a fair value hedge during the fiscal year.

Note I

Investments In and Receivables From Affiliates

The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and for which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with any related receivables from affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates.

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Investments in and receivables from affiliates consists of the following:

(in thousands)	Segment	% Owned	October 29, 2017	October 30, 2016
MegaMex Foods, LLC	Grocery Products	50%	\$177,657	\$180,437
Foreign joint ventures	International & Other	Various (26 – 40%)	64,712	59,153
Total			\$242,369	\$239,590

Equity in earnings of affiliates consists of the following:

(in thousands)	Segment	2017	2016	2015
MegaMex Foods, LLC	Grocery Products	\$31,357	\$30,651	\$26,849
Foreign joint ventures	International & Other	8,233	8,034	(2,962)
Total		\$39,590	\$38,685	\$23,887

Equity in earnings of affiliates in fiscal 2015 included charges related to the exit from international joint venture businesses. Dividends received from affiliates for the fiscal years ended October 29, 2017, October 30, 2016, and October 25, 2015, were \$27.5 million, \$46.2 million, and \$37.3 million, respectively. The Company recognized a basis difference of \$21.3 million associated with the formation of MegaMex Foods, LLC, of which \$14.4 million is remaining as of October 29, 2017. This difference is being amortized through equity in earnings of affiliates.

Note J

Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss are as follows:

(in thousands)	Foreign Currency Translation	Pension & Other Benefits	Deferred Gain (Loss) – Hedging	Accumulated Other Comprehensive Loss
Balance at October 26, 2014	\$ 7,480	\$ (205,986)	\$ (9,194)	\$ (207,700)
Unrecognized gains (losses)				
Gross	(6,906)	(46,389)	3,409	(49,886)
Tax effect	–	17,492	(1,285)	16,207
Reclassification into net earnings				
Gross	–	12,259 ⁽¹⁾	12,369 ⁽²⁾	24,628
Tax effect	–	(4,642)	(4,670)	(9,312)
Net of tax amount	(6,906)	(21,280)	9,823	(18,363)
Purchase of additional ownership of noncontrolling interest	395	–	–	395
Balance at October 25, 2015	\$ 969	\$ (227,266)	\$ 629	\$ (225,668)
Unrecognized gains (losses)				
Gross	(6,458)	(124,783)	6,852	(124,389)
Tax effect	–	47,068	(2,792)	44,276
Reclassification into net earnings				
Gross	–	13,533 ⁽¹⁾	1,310 ⁽²⁾	14,843
Tax effect	–	(5,104)	(261)	(5,365)
Net of tax amount	(6,458)	(69,286)	5,109	(70,635)
Balance at October 30, 2016	\$ (5,489)	\$ (296,552)	\$ 5,738	\$ (296,303)
Unrecognized gains (losses)				
Gross	(1,357)	65,305	(1,393)	62,555
Tax effect	–	(24,535)	759	(23,776)
Reclassification into net earnings				
Gross	–	21,316 ⁽¹⁾	(5,994) ⁽²⁾	15,322
Tax effect	–	(8,009)	2,136	(5,873)
Net of tax amount	(1,357)	54,077	(4,492)	48,228
Balance at October 29, 2017	\$ (6,846)	\$ (242,475)	\$ 1,246	\$ (248,075)

⁽¹⁾ Included in computation of net periodic cost (see Note G for additional details).

⁽²⁾ Included in cost of products sold in the Consolidated Statements of Operations.

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Note K

Income Taxes

The components of the provision for income taxes are as follows:

(in thousands)	2017	2016	2015
Current			
U.S. Federal	\$329,707	\$341,799	\$299,557
State	32,719	33,753	39,817
Foreign	6,950	6,819	10,526
Total current	369,376	382,371	349,900
Deferred			
U.S. Federal	57,533	40,456	18,451
State	4,510	3,770	1,070
Foreign	123	101	458
Total deferred	62,166	44,327	19,979
Total provision for income taxes	\$431,542	\$426,698	\$369,879

Deferred income taxes reflect the net tax effects of temporary

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	2017	2016	2015
U.S. statutory rate	35.0%	35.0%	35.0%
State taxes on income, net of federal tax benefit	1.7	2.1	2.7
Domestic production activities deduction	(2.4)	(2.8)	(2.6)
Foreign tax credit	–	(0.9)	–
All other, net	(0.6)	(1.0)	(0.1)
Effective tax rate	33.7%	32.4%	35.0%

In fiscal 2016, the Company approved a repatriation of \$38.0 million of foreign earnings related to an international entity restructuring which generated a U.S. tax benefit of \$12.1 million. The Company recorded a favorable discrete tax event related to this transaction.

Undistributed earnings of the Company's foreign subsidiaries and joint ventures, aggregating to approximately \$79.2 million at October 29, 2017, are considered to be permanently reinvested, and accordingly, no provision for U.S. income taxes has been provided thereon. It is not practicable to determine the deferred tax liability for temporary differences related to these foreign earnings.

differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred income tax liabilities and assets are as follows:

(in thousands)	October 29, 2017	October 30, 2016
Deferred tax liabilities		
Goodwill and intangible assets	\$(298,159)	\$(250,330)
Tax over book depreciation and basis differences	(107,076)	(98,628)
Other, net	(18,657)	(18,295)
Deferred tax assets		
Pension and post-retirement benefits	144,392	182,444
Employee compensation related liabilities	100,311	107,343
Marketing and promotional accruals	32,011	36,844
Other, net	48,768	46,845
Net deferred tax (liabilities) assets	\$ (98,410)	\$ 6,223

Total income taxes paid during fiscal years 2017, 2016, and 2015 were \$336.0 million, \$372.0 million, and \$296.5 million, respectively.

The following table sets forth changes in the unrecognized tax benefits, excluding interest and penalties, for fiscal years 2016 and 2017.

(in thousands)	
Balance as of October 25, 2015	\$21,337
Tax positions related to the current period	
Increases	3,587
Tax positions related to prior periods	
Increases	9,723
Decreases	(3,913)
Settlements	(1,273)
Decreases related to a lapse of applicable statute of limitations	(2,072)
Balance as of October 30, 2016	\$27,389
Tax positions related to the current period	
Increases	3,094
Tax positions related to prior periods	
Increases	8,923
Decreases	(2,388)
Settlements	(1,825)
Decreases related to a lapse of applicable statute of limitations	(2,396)
Balance as of October 29, 2017	\$32,797

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The amount of unrecognized tax benefits, including interest and penalties, is recorded in other long-term liabilities. If recognized as of October 29, 2017, and October 30, 2016, \$20.2 million and \$19.5 million, respectively, would impact the Company's effective tax rate. The Company includes accrued interest and penalties related to uncertain tax positions in income tax expense, with losses of \$0.1 million included in expense for fiscal 2017 and gains of \$0.5 million included in expense for fiscal 2016. The amount of accrued interest and penalties at October 29, 2017, and October 30, 2016, associated with unrecognized tax benefits was \$7.1 million and \$2.6 million, respectively.

The Company is regularly audited by federal and state taxing authorities. The United States Internal Revenue Service (I.R.S.) concluded their examination of fiscal 2015 in the first quarter of fiscal 2017. The Company has elected to participate in the Compliance Assurance Process (CAP) for fiscal years 2017 and 2018. The objective of CAP is to contemporaneously work with the I.R.S. to achieve federal tax compliance and resolve all or most of the issues prior to filing of the tax return. The Company may elect to continue participating in CAP for future tax years; the Company may withdraw from the program at any time.

The Company is in various stages of audit by several state taxing authorities on a variety of fiscal years, as far back as 2011. While it is reasonably possible that one or more of these audits may be completed within the next 12 months and the related unrecognized tax benefits may change based on the status of the examinations, it is not possible to reasonably estimate the effect of any amount of such change to previously recorded uncertain tax positions.

A reconciliation of the number of options outstanding and exercisable (in thousands) as of October 29, 2017, and changes during the fiscal year then ended, is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at October 30, 2016	31,998	\$16.05		
Granted	2,360	33.58		
Exercised	3,619	10.29		
Forfeited	54	16.86		
Outstanding at October 29, 2017	30,685	\$18.08	4.6 yrs	\$401,823
Exercisable at October 29, 2017	24,544	\$14.65	3.7 yrs	\$390,319

The weighted-average grant date fair value of stock options granted and the total intrinsic value of options exercised (in thousands) during each of the past three fiscal years is as follows:

	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
Weighted-average grant date fair value	\$ 6.41	\$ 7.82	\$ 4.92
Intrinsic value of exercised options	87,543	135,593	67,516

The fair value of each option award is calculated on the date of grant using the Black-Scholes valuation model utilizing the following weighted-average assumptions:

Note L

Stock-Based Compensation

The Company issues stock options and nonvested shares as part of its stock incentive plans for employees and non-employee directors. The Company's policy is to grant options with the exercise price equal to the market price of the common stock on the date of grant. Options typically vest over four years and expire ten years after the date of the grant. The Company recognizes stock-based compensation expense ratably over the shorter of the requisite service period or vesting period. The fair value of stock-based compensation granted to retirement-eligible individuals is expensed at the time of grant.

	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
Risk-free interest rate	2.4%	2.1%	2.1%
Dividend yield	2.0%	1.5%	1.9%
Stock price volatility	19.0%	19.0%	19.0%
Expected option life	8 years	8 years	8 years

As part of the annual valuation process, the Company reassesses the appropriateness of the inputs used in the valuation models. The Company establishes the risk-free interest rate using stripped U.S. Treasury yields as of the grant date where the remaining term is approximately the expected life of the option. The dividend yield is set based on the dividend rate

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approved by the Company's Board of Directors and the stock price on the grant date. The expected volatility assumption is set based primarily on historical volatility. As a reasonableness test, implied volatility from exchange traded options is also examined to validate the volatility range obtained from the historical analysis. The expected life assumption is set based on an analysis of past exercise behavior by option holders. In performing the valuations for option grants, the Company has not stratified option holders as exercise behavior has historically been consistent across all employee and non-employee director groups.

Nonvested shares vest on the earlier of the day before the Company's next annual meeting date or one year from grant date. A reconciliation of the nonvested shares (in thousands) as of October 29, 2017, and changes during the fiscal year then ended, is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested at October 30, 2016	47	\$41.01
Granted	58	35.62
Vested	47	41.01
Nonvested at October 29, 2017	58	\$35.62

The weighted-average grant date fair value of nonvested shares granted, the total fair value (in thousands) of nonvested shares granted, and the fair value (in thousands) of shares that have vested during each of the past three fiscal years is as follows:

	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
Weighted-average grant date fair value	\$35.62	\$41.01	\$ 25.87
Fair value of nonvested shares granted	2,080	1,920	1,920
Fair value of shares vested	1,920	1,920	2,347

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Stock-based compensation expense, along with the related income tax benefit, for each of the past three fiscal years is presented in the table below:

(in thousands)	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
Stock-based compensation expense recognized	\$ 15,591	\$ 17,829	\$ 15,717
Income tax benefit recognized	(5,879)	(6,764)	(5,967)
After-tax stock-based compensation expense	\$ 9,712	\$ 11,065	\$ 9,750

At October 29, 2017, there was \$11.5 million of total unrecognized compensation expense from stock-based compensation arrangements granted under the plans. This compensation is expected to be recognized over a weighted-average period of approximately 2.1 years. During fiscal years 2017, 2016, and 2015, cash received from stock option exercises was \$21.7 million, \$12.1 million, and \$10.5 million, respectively. The total tax benefit to be realized for tax deductions from these option exercises was \$33.0 million, \$51.6 million, and \$25.6 million, respectively.

Shares issued for option exercises and nonvested shares may be either authorized but unissued shares, or shares of treasury stock acquired in the open market or otherwise. The number of shares available for future grants was 46.7 million at October 29, 2017, 48.1 million at October 30, 2016, and 50.1 million at October 25, 2015.

Note M

Fair Value Measurements

Pursuant to the provisions of ASC 820, the Company's financial assets and liabilities carried at fair value on a recurring basis in the consolidated

financial statements as of October 29, 2017, and October 30, 2016, and their level within the fair value hierarchy, are presented in the table below.

(in thousands)	Fair Value Measurements at October 29, 2017			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value				
Cash and cash equivalents ⁽¹⁾	\$444,122	\$444,122	\$ –	\$ –
Other trading securities ⁽²⁾	128,530	–	128,530	–
Commodity derivatives ⁽³⁾	2,821	2,821	–	–
Total assets at fair value	\$575,473	\$446,943	\$128,530	\$ –
Liabilities at fair value				
Deferred compensation ⁽²⁾	\$ 62,341	\$ –	\$ 62,341	\$ –
Total liabilities at fair value	\$ 62,341	\$ –	\$ 62,341	\$ –

(in thousands)	Fair Value Measurements at October 30, 2016			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value				
Cash and cash equivalents ⁽¹⁾	\$415,143	\$ 415,143	\$ –	\$ –
Other trading securities ⁽²⁾	122,305	–	122,305	–
Commodity derivatives ⁽³⁾	3,094	3,094	–	–
Total assets at fair value	\$540,542	\$ 418,237	\$122,305	\$ –
Liabilities at fair value				
Deferred compensation ⁽²⁾	\$ 60,949	\$ –	\$ 60,949	\$ –
Total liabilities at fair value	\$ 60,949	\$ –	\$ 60,949	\$ –

The following methods and assumptions were used to estimate the fair value of the financial assets and liabilities above:

- ⁽¹⁾ The Company's cash equivalents consist primarily of bank deposits, money market funds rated AAA, or other highly liquid investment accounts. As these investments have a maturity date of three months or less, the carrying value approximates fair value.
- ⁽²⁾ A majority of the funds held in the rabbi trust relate to the supplemental executive retirement plans and have been invested in fixed income funds managed by a third party. The declared rate on these funds is set based on a formula using the yield of the general account investment portfolio supporting the fund, adjusted for expenses and other charges. The rate is guaranteed for one year at issue, and may be reset annually on the policy anniversary, subject to a guaranteed minimum rate. As the value is based on adjusted market rates, and the fixed rate is only reset on an annual basis, these funds are classified as Level 2. The funds held in the rabbi trust are included in other assets on the Consolidated Statements of Financial Position. The remaining funds held are also managed by a third party insurance policy, the values of which represent their cash surrender value based on the fair value of the underlying investments in the account and include equity securities, money market accounts, bond funds, or other portfolios for which there is an active quoted market. Therefore these policies are also classified as Level 2. The related deferred compensation liabilities are included in other long-term liabilities on the Consolidated Statements of Financial Position with investment options generally mirroring those funds held by the rabbi trust. Therefore these investment balances are classified as Level 2. The Company also offers a fixed rate investment option to participants. The rate earned on these investments is adjusted annually based on a specified percentage of the United States Internal Revenue Service (I.R.S.) Applicable Federal Rates. These balances are classified as Level 2.
- ⁽³⁾ The Company's commodity derivatives represent futures contracts used in its hedging or other programs to offset price fluctuations associated with purchases of corn, soybean meal, and hogs, and to minimize the price risk assumed when forward priced contracts are offered to the Company's commodity suppliers. The Company's futures contracts for corn and soybean meal are traded on the Chicago Board of Trade, while futures contracts for lean hogs are traded on the Chicago Mercantile Exchange. These are active markets with quoted prices available, and these contracts are classified as Level 1. All derivatives are reviewed for potential credit risk and risk of nonperformance. The Company nets the derivative assets and liabilities for each of its hedging programs, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. The net balance for each program is included in other current assets or accounts payable, as appropriate, in the Consolidated Statements of Financial Position. As of October 29, 2017, the Company has recognized the right to reclaim net cash collateral of \$2.5 million from various counterparties (including \$11.0 million of realized gains offset by cash owed of \$8.5 million on closed positions). As of October 30, 2016, the Company had recognized the right to reclaim net cash collateral of \$3.1 million from various counterparties (including \$7.1 million of realized gains offset by cash owed of \$4.0 million on closed positions).

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The Company's financial assets and liabilities include accounts receivable, accounts payable, and other liabilities, for which carrying value approximates fair value. The Company does not carry its long-term debt at fair value in its Consolidated Statements of Financial Position. Based on borrowing rates available to the Company for long-term financing with similar terms and average maturities, the fair value of long-term debt, utilizing discounted cash flows (Level 2), was \$266.5 million as of October 29, 2017, and \$274.9 million as of October 30, 2016.

The Company has noncancelable operating lease commitments on facilities and equipment at October 29, 2017, as follows:

(in thousands)	
2018	\$ 7,662
2019	4,441
2020	3,879
2021	2,919

In accordance with the provisions of ASC 820, the Company measures certain nonfinancial assets and liabilities at fair value, which are recognized or disclosed on a nonrecurring basis (e.g. goodwill, intangible assets, and property, plant and equipment). Impairment charges were recorded for the Company's DCB assets divested during fiscal 2016. The fair value of the net assets to be sold was determined using Level 2 inputs utilizing a market participant bid along with internal valuations of the business. See additional discussion regarding the Company's assets held for sale in Note E. During fiscal years 2017, 2016, and 2015, there were no material remeasurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

Note N

Commitments and Contingencies

In order to ensure a steady supply of hogs and turkeys, and to keep the cost of products stable, the Company has entered into contracts with producers for the purchase of hogs and turkeys at formula-based prices over periods up to 10 years. The Company has also entered into grow-out contracts with independent farmers to raise turkeys for the Company for periods up to 25 years. Under these arrangements, the Company owns the livestock, feed, and other supplies while the independent farmers provide facilities and labor. The Company has also contracted for the purchase of corn, soybean meal, and other feed ingredients from independent suppliers for periods up to three years. Under these contracts, the Company is committed at October 29, 2017, to make purchases, assuming current price levels, as follows:

(in thousands)	
2018	\$ 1,120,931
2019	684,769
2020	373,897
2021	197,384
2022	95,584
Later Years	49,455
Total	\$ 2,522,020

Purchases under these contracts for fiscal years 2017, 2016, and 2015 were \$1.4 billion, \$1.6 billion, and \$1.6 billion, respectively.

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Note O

Earnings Per Share Data

The reported net earnings attributable to the Company were used when computing basic and diluted earnings per share for all years presented. A reconciliation of the shares used in the computation is as follows:

(in thousands)	2017	2016	2015
Basic weighted-average shares outstanding	528,363	529,290	528,143
Dilutive potential common shares	10,753	13,183	12,859
Diluted weighted-average shares outstanding	539,116	542,473	541,002

For fiscal years 2017, 2016, and 2015, a total of 3.7 million, 1.1 million,

2022	2,153
Later Years	1,667
Total	\$ 22,721

The Company expensed \$19.2 million, \$21.6 million, and \$22.4 million for rent in fiscal years 2017, 2016, and 2015, respectively.

The Company has commitments to expend approximately \$278.8 million to complete construction in progress at various locations as of October 29, 2017.

The Company also has purchase obligations not reflected in the Consolidated Statements of Financial Position, representing open purchase orders and contracts related to the procurement of raw materials, supplies, and various services. As of October 29, 2017, commitments related to those purchase orders, and all known contracts exceeding \$1.0 million, are shown below. The Company primarily purchases goods and services on an as-needed basis and therefore, amounts in the table represent only a portion of expected future cash expenditures.

(in thousands)	
2018	\$ 674,792
2019	74,245
2020	74,696
2021	71,482
2022	54,417
Later Years	60,105
Total	\$ 1,009,737

As of October 29, 2017, the Company has \$48.0 million of standby letters of credit issued on its behalf. The standby letters of credit are primarily related to the Company's self-insured workers compensation programs. However, that amount also includes revocable standby letters of credit totaling \$4.0 million for obligations of an affiliated party that may arise under workers compensation claims. Letters of credit are not reflected in the Company's Consolidated Statements of Financial Position.

The Company is involved in litigation on an on-going basis arising in the ordinary course of business. In the opinion of management, the outcome of litigation currently pending will not materially affect the Company's results of operations, financial condition, or liquidity.

in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company's noncontrolling interests are excluded. These items are included below as net interest and investment expense (income), general corporate expense, and noncontrolling interest when reconciling to earnings before income taxes.

Sales and operating profits for each of the Company's reportable segments and reconciliation to earnings before income taxes are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating profit and other financial information shown below.

(in thousands)	2017	2016	2015
Net Sales (to unaffiliated customers)			
Grocery Products	\$1,761,105	\$1,684,756	\$1,617,680
Refrigerated Foods	4,403,732	4,647,173	4,372,347

and 0.9 million weighted-average outstanding stock options, respectively, were not included in the computation of dilutive potential common shares since their inclusion would have had an antidilutive effect on earnings per share.

Note P

Segment Reporting

The Company develops, processes, and distributes a wide array of food products in a variety of markets. The Company reports its results in the following five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store (JOTS), Specialty Foods, and International & Other.

The Grocery Products segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market. This segment also includes the results from the Company's MegaMex joint venture.

The Refrigerated Foods segment consists primarily of the processing, marketing, and sale of branded and unbranded pork, beef, chicken, and turkey products for retail, foodservice, and fresh product customers.

The JOTS segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and fresh product customers.

The Specialty Foods segment consists of the processing, marketing, and sale of nutritional and private label shelf-stable products to retail, foodservice, and industrial customers.

The International & Other segment includes Hormel Foods International which manufactures, markets, and sells Company products internationally. This segment also includes the results from the Company's international joint ventures.

Intersegment sales are recorded at prices that approximate cost and are eliminated in the Consolidated Statements of Operations. The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity

Jennie-O Turkey Store	1,663,160	1,740,968	1,635,776
Specialty Foods	794,508	939,134	1,103,359
International & Other	545,014	511,193	534,701
Total	\$9,167,519	\$9,523,224	\$9,263,863
Intersegment Sales			
Grocery Products	\$ —	\$ —	\$ —
Refrigerated Foods	7,832	11,341	13,058
Jennie-O Turkey Store	113,384	120,742	128,195
Specialty Foods	32	26	64
International & Other	—	—	—
Total	121,248	132,109	141,317
Intersegment elimination	(121,248)	(132,109)	(141,317)
Total	\$ —	\$ —	\$ —
Segment Net Sales			
Grocery Products	\$1,761,105	\$1,684,756	\$1,617,680
Refrigerated Foods	4,411,564	4,658,514	4,385,405
Jennie-O Turkey Store	1,776,544	1,861,710	1,763,971
Specialty Foods	794,540	939,160	1,103,423
International & Other	545,014	511,193	534,701
Intersegment elimination	(121,248)	(132,109)	(141,317)
Total	\$9,167,519	\$9,523,224	\$9,263,863
Segment Operating Profit			
Grocery Products	\$ 290,809	\$ 268,461	\$ 228,582
Refrigerated Foods	587,929	585,652	424,968
Jennie-O Turkey Store	247,322	329,427	276,217
Specialty Foods	96,828	110,917	93,258
International & Other	85,304	78,409	78,318
Total segment operating profit	\$1,308,192	\$1,372,866	\$1,101,343
Net interest and investment expense (income)	1,824	6,680	10,177
General corporate expense	28,091	49,436	35,199
Noncontrolling interest	368	465	1,176
Earnings Before Income Taxes	\$1,278,645	\$1,317,215	\$1,057,143

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(in thousands)	2017	2016	2015
Assets			
Grocery Products	\$1,445,658	\$1,472,316	\$1,214,988
Refrigerated Foods	2,324,749	1,999,821	1,973,424
Jennie-O Turkey Store	942,369	882,812	811,693
Specialty Foods	769,496	805,597	956,945
International & Other	675,878	510,904	477,674
Corporate	817,758	698,617	705,107
Total	\$6,975,908	\$6,370,067	\$6,139,831
Additions to Property, Plant and Equipment			
Grocery Products	\$ 14,432	\$ 15,830	\$ 18,104
Refrigerated Foods	79,836	93,430	54,074
Jennie-O Turkey Store	88,063	61,340	32,250
Specialty Foods	2,011	5,372	5,309
International & Other	33,124	44,407	18,576
Corporate	3,820	35,145	15,750
Total	\$ 221,286	\$ 255,524	\$ 144,063

mixes, and industrial gelatin products. The percentages of total revenues contributed by classes of similar products for the last three fiscal years are as follows:

	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
Perishable	53.7%	53.1%	53.0%
Shelf-stable	20.2	18.2	18.4
Poultry	19.1	20.5	18.6
Miscellaneous	7.0	8.2	10.0
Total	100.0%	100.0%	100.0%

Revenues from external customers are classified as domestic or foreign based on the destination where title passes. No individual foreign country is material to the consolidated results. Additionally, the Company's long-lived assets located in foreign countries are not significant. Total revenues attributed to the U.S. and all foreign countries in total for the last three fiscal years are as follows:

Depreciation and Amortization			
Grocery Products	\$ 31,739	\$ 29,725	\$ 26,972
Refrigerated Foods	45,911	53,229	53,325
Jennie-O Turkey Store	31,611	29,225	28,262
Specialty Foods	5,357	5,165	11,075
International & Other	4,042	3,969	3,372
Corporate	12,317	10,655	10,428
Total	\$ 130,977	\$ 131,968	\$ 133,434

The Company's products primarily consist of meat and other food products. Perishable includes fresh meats, frozen items, refrigerated meal solutions, sausages, hams, guacamole, and bacon (excluding JOTS products). Shelf-stable includes canned luncheon meats, peanut butter, chilies, shelf-stable microwave-able meals, hash, stews, meat spreads, flour and corn tortillas, salsas, tortilla chips, and other items that do not require refrigeration. The Poultry category is composed primarily of JOTS products. The Miscellaneous category primarily consists of nutritional food products and supplements, dessert and drink

(in thousands)	Fiscal Year Ended		
	October 29, 2017	October 30, 2016	October 25, 2015
United States	\$8,631,325	\$9,012,797	\$8,721,722
Foreign	536,194	510,427	542,141
Total	\$9,167,519	\$9,523,224	\$9,263,863

In fiscal 2017, sales to Wal-Mart Stores, Inc. (Wal-Mart) represented \$1.5 billion or 14.4 percent of the Company's consolidated revenues (measured as gross sales less returns and allowances). In fiscal 2016, sales to Wal-Mart represented \$1.5 billion or 13.7 percent of the Company's consolidated revenues. Wal-Mart is a customer for all five segments of the Company.

Note Q

Quarterly Results of Operations (Unaudited)

The following tabulations reflect the unaudited quarterly results of operations for the years ended October 29, 2017, and October 30, 2016.

(in thousands, except per share data)	Net Sales	Gross Profit	Net Earnings	Net Earnings Attributable to Hormel Foods Corporation ⁽¹⁾	Basic Earnings Per Share	Diluted Earnings Per Share ⁽²⁾
2017						
First quarter	\$2,280,227	\$552,280	\$235,303	\$235,147	\$0.44	\$0.44
Second quarter	2,187,309	486,920	210,886	210,926	0.40	0.39
Third quarter	2,207,375	452,409	182,551	182,508	0.35	0.34
Fourth quarter	2,492,608	511,554	218,363	218,154	0.41	0.41
2016						
First quarter	\$2,292,672	\$558,011	\$235,167	\$235,061	\$0.44	\$0.43
Second quarter	2,300,235	526,359	215,384	215,397	0.41	0.40
Third quarter	2,302,376	475,285	195,776	195,654	0.37	0.36
Fourth quarter	2,627,941	598,520	244,190	243,940	0.46	0.45

⁽¹⁾ Excludes net earnings attributable to the Company's noncontrolling interests.

⁽²⁾ Quarterly amounts are independently computed and may not add to the annual amounts.

Note R

Subsequent Events

On November 27, 2017, subsequent to the end of the fiscal year, the Company completed the acquisition of Columbus Manufacturing, Inc. (Columbus), an authentic premium deli meat and salami company, from Chicago-based Arbor Investments. The purchase price is approximately \$850.0 million. The transaction was closed in the first quarter of fiscal 2018 and was funded with cash on hand along with borrowing \$375.0 million under a term loan facility and \$375.0 million under a revolving credit facility. The acquisition will be

accounted for as a business combination using the acquisition method. The allocation of the purchase price will be finalized upon completion of the fair value analysis of Columbus's assets.

Columbus specializes in authentic premium deli meat and salami and allows the Company to enhance its scale in the deli by broadening its portfolio of products, customers, and consumers.

Operating results for this acquisition will be included in the Company's Consolidated Statements of Operations from the date of acquisition and will be reflected in the Refrigerated Foods segment.

Shareholder Information

Independent Auditors

Ernst & Young LLP
220 South Sixth Street, Ste. 1400
Minneapolis, MN 55402-4509

Stock Listing



Hormel Foods Corporation's common stock is traded on the New York Stock Exchange under the symbol HRL. The CUSIP number is 440452100.

There are approximately 12,400 record stockholders and 118,000 stockholders whose shares are held in street name by brokerage firms and financial institutions.

Common Stock Data

The high and low prices of the company's common stock and the dividends per share declared for each fiscal quarter of 2017 and 2016, respectively, are shown below:

2017	High	Low	Dividend
First Quarter	\$38.840	\$33.180	\$0.170
Second Quarter	37.960	33.970	0.170
Third Quarter	35.480	32.260	0.170
Fourth Quarter	34.530	29.750	0.170
2016	High	Low	Dividend
First Quarter	\$40.390	\$32.920	\$0.145
Second Quarter	45.720	37.490	0.145
Third Quarter	40.535	33.700	0.145
Fourth Quarter	40.000	35.870	0.145

Transfer Agent and Registrar

Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
MAC N9173-010
Mendota Heights, MN 55120
www.shareowneronline.com

For the convenience of stockholders, a toll free number (1-877-536-3559) can be used whenever questions arise regarding changes in registered ownership, lost or stolen certificates, address changes, or other matters pertaining to the transfer of stock or stockholder records. When requesting information, stockholders must provide their Wells Fargo account number or tax identification number, the name(s) in which their stock is registered, and their record address.

The company participates in the Direct Registration Profile Modification System (DRPMS). Transfers or issuances of shares are now issued in book-entry form, unless you specifically request a stock certificate. A statement will be delivered to you reflecting any transactions processed in your account.

The transfer agent makes stockholder account data available to stockholders of record via the Internet. This service allows stockholders to view various account details, such as certificate information, dividend payment history, and/or dividend reinvestment plan records, over a secure Internet connection with the required entry of an account number and authentication ID. Information is available 24 hours per day, 7 days a week. If you are interested, you may use the web site www.shareowneronline.com and access "Sign Up Now!" to arrange for setup.

Dividend Reinvestment Plan

Hormel Foods Corporation's Dividend Reinvestment Plan, available to record stockholders, allows for full dividend reinvestment and voluntary cash purchases with brokerage commissions or other service fees paid by the Company. Automatic debit for cash contribution is also available. This is a convenient method to have money automatically withdrawn each month from a checking or savings account and invested in your Dividend Reinvestment Plan account. To enroll in the plan or obtain additional information, contact Wells Fargo Shareowner Services, using the address or telephone number provided, listed previously in this section as Company transfer agent and registrar. Enrollment in the plan is also available on the Internet at www.shareowneronline.com.

An optional direct dividend deposit service offers stockholders a convenient method of having quarterly dividend payments electronically deposited into their personal checking or savings account. The dividend payment is made in the account each payment date, providing stockholders with immediate use of their money. For information about the service and how to participate, contact Wells Fargo Shareowner Services, transfer agent. You may also activate this feature on the Internet at www.shareowneronline.com.

Dividends

The declaration of dividends and all dates related to the declaration of dividends are subject to the judgment and discretion of the Board of Directors of Hormel Foods Corporation. Quarterly dividends are typically paid on the 15th of February, May, August, and November. Postal delays may cause receipt dates to vary.

Reports and Publications

Consumer Response

Inquiries regarding products of Hormel Foods Corporation should be addressed:

Consumer Response
Hormel Foods Corporation
1 Hormel Place
Austin, MN 55912-3680
or call 1-800-523-4635

Copies of the Company's Form 10-K (annual report) and Form 10-Q (quarterly report) to the Securities and Exchange Commission (SEC), proxy statement, all news releases and other corporate literature are available free upon request by calling (507) 437-5345 or by accessing the information on the Internet at www.hormelfoods.com. Notice and access to the Company's Annual Report is mailed approximately one month before the Annual Meeting. The Annual Report can be viewed at the Web site named above or a hard copy will be available free upon request via email, mail, or by calling (507) 437-5571.

Annual Meeting

The Annual Meeting of Stockholders will be held on Tuesday, January 30, 2018, in the Richard L. Knowlton Auditorium at Austin (Minn.) High School. The meeting will convene at 8:00 p.m. (CT).

Questions about Hormel Foods

Stockholder Inquiries
(507) 437-5944

Analyst/Investor Inquiries
(507) 437-5248

Media Inquiries
(507) 437-5345

Trademarks

References to the Company's brands or products in italics within this report represent valuable trademarks owned or licensed by Hormel Foods, LLC or other subsidiaries of Hormel Foods Corporation.

Corporate Officers

Jim Snee

Chairman of the Board,
President and Chief Executive Officer
(elected Chairman of the Board
effective 11/20/2017)

Steve Binder

Executive Vice President;
President, Hormel Business Units

Glenn Leitch

Executive Vice President,
Supply Chain
(effective 12/4/2017)

Jim Sheehan

Senior Vice President and
Chief Financial Officer

Jeff Baker

Group Vice President,
Foodservice

Deanna Brady

Group Vice President;
President, Consumer Products Sales

Tom Day

Group Vice President,

Steve Lykken

Senior Vice President;
President, Jennie-O Turkey Store, Inc.
(effective 12/4/2017)

Lori Marco

Senior Vice President,
External Affairs and General Counsel

Kevin Myers, Ph.D.

Senior Vice President,
Research and Development
and Quality Control

Scott Aakre

Vice President,
Corporate Innovation
and New Product Development

Richard Carlson

Vice President,
Quality Management

PJ Connor

Vice President;
Senior Vice President,
Consumer Products Sales

Tim Fritz

Brian Johnson

Vice President and
Corporate Secretary

Stephen Koven

Vice President,
Digital Experience

Mark Morey

Vice President,
Affiliated Businesses
Refrigerated Foods

Kurt Mueller

Vice President;
Senior Vice President,
Consumer Products Sales

Swen Neufeldt

Vice President,
Meat Products Marketing

Mark Ourada

Vice President,
Foodservice Sales

Pat Schwab

Vice President;
Senior Vice President,

Refrigerated Foods

Vice President,
Grocery Products Operations

Consumer Products Sales

Don Kremin

Group Vice President,
Specialty Foods

Jeff Grev
Vice President,
Legislative Affairs

Donnie Temperley

Vice President,
Refrigerated Foods Operations

Luis Marconi

Group Vice President,
Grocery Products

Fred Halvin
Vice President,
Corporate Development

Mark Vaupel

Vice President,
Information Technology Services

Jim Splinter

Group Vice President,
Corporate Strategy

Jana Haynes
Vice President and
Controller

Steve Venenga

Vice President,
Grocery Products Marketing

Larry Vorpahl

Group Vice President;
President, Hormel Foods International
Corporation

Tyler Hulsebus
Vice President,
Engineering

Wendy Watkins

Vice President,
Corporate Communications

Mark Coffey

Senior Vice President,
Supply Chain and Manufacturing


Gary Jamison
Vice President and
Treasurer

David Weber

Vice President,
Foodservice Marketing

Janet Hogan

Senior Vice President,
Human Resources

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Section 4: EX-21.1 (EX-21.1)

EXHIBIT 21.1

SUBSIDIARIES OF HORMEL FOODS CORPORATION

The Company owns the indicated percentage of the issued and outstanding stock or other equity interests of the following entities:

<u>Name of Subsidiary</u>	<u>State or Country of Incorporation</u>	<u>Ownership Percentage</u>
Alma Foods, LLC	Delaware	100%
Applegate Farms, LLC	Delaware	100%
Applegate Investment Corporation	Delaware	100%
Beijing Hormel Business Management Co. Ltd.	China	100%
Beijing Hormel Foods Co. Ltd.	China	80%
Burke Marketing Corporation	Iowa	100%
Campoco, Inc.	Minnesota	100%
Castelmasa Participação S.A.	Brazil	100%
Century Foods International, LLC	Delaware	100%
Century Foods Land Development, LLC	Delaware	100%
ChampBev, Inc.	California	100%
Cidade do Sol Alimentos S.A.	Brazil	100%
Clean Field Indústria de Alimentos Ltda.	Brazil	100%
Columbus Manufacturing, Inc.	Delaware	100%
Creative Contract Packaging, LLC	Delaware	100%
CytoSport, Inc.	California	100%
CytoSport Holdings, Inc.	Delaware	100%
Dan's Prize, Inc.	Minnesota	100%
Diversified Foods Insurance Company, LLC	Vermont	100%
Dold Foods, LLC	Delaware	100%
Fontanini Foods, LLC	Minnesota	100%
GMP Manufacturing, Inc.	California	100%
HF International Holdings C.V.	Netherlands	100%

Hormel Foods Brazil Participações Ltda.	Brazil	100%
Hormel Canada, Ltd.	Canada	100%
Hormel (China) Investment Co. Ltd.	China	100%
Hormel Financial Services Corporation	Minnesota	100%
Hormel Foods Asia Pacific Pte. Ltd.	Singapore	100%
Hormel Foods Australia Pty Limited	Australia	100%
Hormel Foods Corporate Services, LLC	Delaware	100%
Hormel Foods International Corporation	Delaware	100%
Hormel Foods Japan K.K.	Japan	100%
Hormel Foods, LLC	Minnesota	100%
Hormel Foods Mexico, S. de R.L. de C.V.	Mexico	100%
Hormel Foods Sales, LLC	Delaware	100%
Hormel Health Labs, LLC	Minnesota	100%
Hormel International Investments, LLC	Delaware	100%
Hormel MM Holding Corporation	Delaware	100%
Hormel Netherlands B.V.	Netherlands	100%
Jennie-O Turkey Store, Inc.	Minnesota	100%
Jennie-O Turkey Store International, Inc.	Minnesota	100%
Jennie-O Turkey Store, LLC	Minnesota	100%
Jennie-O Turkey Store Sales, LLC	Delaware	100%
Jiaxing Hormel Foods Co. Ltd.	China	100%
JJOTS, LLC	Minnesota	100%
Justin's, LLC	Delaware	100%
Lloyd's Barbeque Company, LLC	Delaware	100%
Logistic Service, LLC	Delaware	100%
Melting Pot Foods, LLC	Delaware	100%
Mespil, Inc.	Delaware	100%

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<u>Name of Subsidiary (continued)</u>	<u>State or Country of Incorporation</u>	<u>Ownership Percentage</u>
Mexican Accent, LLC	Delaware	100%
Mountain Prairie, LLC	Colorado	100%
Omamori Indústria de Alimentos Ltda.	Brazil	100%
Osceola Food, LLC	Delaware	100%
Pistóia – Participações S.A.	Brazil	100%
Progressive Processing, LLC	Delaware	100%
Provena Foods Inc.	California	100%
R.N.C. – Participações Ltda.	Brazil	100%
Rochelle Foods, LLC	Delaware	100%
Shanghai Hormel Foods Co. Ltd.	China	100%
Skippy Foods, LLC	Minnesota	100%
Stagg Foods, LLC	Delaware	100%
Talis Distribuidoras de Alimentos Ltda.	Brazil	100%
Valley Fresh, Inc.	Delaware	100%
West Central Turkeys, LLC	Delaware	100%

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Section 5: EX-23.1 (EX-23.1)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement Number 33-14615 on Form S-8 dated May 27, 1987,
- (2) Post-Effective Amendment Number 1 to Registration Statement Number 33-29053 on Form S-8 dated January 26, 1990,
- (3) Registration Statement Number 333-44178 on Form S-8 dated August 21, 2000,

(4) Registration Statement Numbers 333-102805, 333-102806, 333-102808, and 333-102810 on Forms S-8 dated January 29, 2003,
(5) Registration Statement Number 333-110776 on Form S-8 dated November 26, 2003,
(6) Registration Statement Number 333-131625 on Form S-8 dated February 7, 2006,
(7) Registration Statement Number 333-136642 on Form S-8 dated August 15, 2006,
(8) Registration Statement Number 333-162405 on Form S-8 dated October 9, 2009,
(9) Registration Statement Number 333-173284 on Form S-3ASR dated April 4, 2011,
(10) Registration Statement Number 333-190714 on Form S-8 dated August 19, 2013,
(11) Registration Statement Numbers 333-191719 and 333-191720 on Forms S-8 dated October 15, 2013,
(12) Registration Statement Number 333-195916 on Form S-3ASR dated May 13, 2014, and
(13) Registration Statement Number 333-217593 on Form S-3ASR dated May 2, 2017,
of our report dated December 20, 2017, with respect to the consolidated financial statements and schedule of Hormel Foods Corporation and the effectiveness of internal control over financial reporting Hormel Foods Corporation included in this Annual Report (Form 10-K) of Hormel Foods Corporation for the year ended October 29, 2017.

/s/ Ernst & Young LLP

Minneapolis, Minnesota

December 20, 2017

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Section 6: EX-24.1 (EX-24.1)

EXHIBIT 24.1 POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints each of James N. Sheehan, Jana L. Haynes, and Gary L. Jamison, with full power to each to act without the other, his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Hormel Foods Corporation (“Hormel”) for Hormel’s fiscal year ended October 29, 2017, and any or all amendments to said Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James P. Snee</u> James P. Snee	Chairman of the Board, President, Chief Executive Officer, and Director (Principal Executive Officer)	November 20, 2017
<u>/s/ James N. Sheehan</u> James N. Sheehan	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	November 20, 2017
<u>/s/ Jana L. Haynes</u> Jana L. Haynes	Vice President and Controller (Principal Accounting Officer)	November 20, 2017
<u>/s/ Gary C. Bhojwani</u> Gary C. Bhojwani	Director	November 20, 2017
<u>/s/ Terrell K. Crews</u> Terrell K. Crews	Director	November 20, 2017
<u>/s/ Glenn S. Forbes</u> Glenn S. Forbes	Director	November 20, 2017
<u>/s/ Stephen M. Lacy</u> Stephen M. Lacy	Director	November 20, 2017
<u>/s/ John L. Morrison</u> John L. Morrison	Director	November 20, 2017
<u>/s/ Elsa A. Murano</u> Elsa A. Murano	Director	November 20, 2017

<u>/s/ Robert C. Nakasone</u> Robert C. Nakasone	Director	November 20, 2017
<u>/s/ Susan K. Nestegard</u> Susan K. Nestegard	Director	November 20, 2017
<u>/s/ Dakota A. Pippins</u> Dakota A. Pippins	Director	November 20, 2017
<u>/s/ Christopher J. Policinski</u> Christopher J. Policinski	Director	November 20, 2017
<u>/s/ Sally J. Smith</u> Sally J. Smith	Director	November 20, 2017
<u>/s/ Steven A. White</u> Steven A. White	Director	November 20, 2017

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Section 7: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James P. Snee, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hormel Foods Corporation for the fiscal year ended October 29, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 20, 2017

Signed: /s/ JAMES P. SNEE
JAMES P. SNEE
Chairman of the Board, President, Chief Executive Officer, and
Director

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Section 8: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James N. Sheehan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hormel Foods Corporation for the fiscal year ended October 29, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 20, 2017

Signed: /s/ JAMES N. SHEEHAN
JAMES N. SHEEHAN
Senior Vice President and Chief Financial Officer

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Section 9: EX-32.1 (EX-32.1)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Hormel Foods Corporation (the “Company”) for the period ended October 29, 2017, as filed with the Securities and Exchange Commission (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 20, 2017

/s/ JAMES P. SNEE

JAMES P. SNEE

Chairman of the Board, President, Chief Executive Officer, and Director

Dated: December 20, 2017

/s/ JAMES N. SHEEHAN

JAMES N. SHEEHAN

Senior Vice President and Chief Financial Officer

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