

PROVENA FOODS INC
Form DEF 14A
April 04, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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Provena Foods, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(4) Date Filed:

PROVENA FOODS INC.

5010 Eucalyptus Avenue

Chino, California 91710

NOTICE OF APRIL 25, 2006 ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF PROVENA FOODS INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Provena Foods Inc., a California corporation, will be held on Tuesday, April 25, 2006, at 11:00 a.m., at the Corporation's principal office at 5010 Eucalyptus Avenue, Chino, California 91710 for the following purposes:

1. To elect directors to serve until the next Annual Meeting of Shareholders; and
2. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 24, 2006 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, said meeting or any adjournment thereof.

WHETHER OR NOT YOU PLAN TO ATTEND, WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY, WHICH YOU MAY REVOKE PRIOR TO ITS USE.

PROXY STATEMENT

This Proxy Statement relates to the solicitation by the Board of Directors of Provena Foods Inc. (the Company) of proxies to be used at the Company's April 25, 2006 Annual Meeting of Shareholders (and any adjournment thereof) for the purposes set forth in the above Notice. This Proxy Statement is to be mailed to shareholders on or about March 31, 2006. All expenses of distributing this Proxy Statement, the Notice, and the Proxy card are to be borne by the Company.

Shares represented by a Proxy card returned properly signed will be voted as directed in the Proxy card. If no direction is made for a matter, the Proxy will be voted for the matter. A Proxy may be revoked at any time before it is voted at the meeting.

VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS

Only shareholders of record at the close of business on March 24, 2006 are entitled to vote at the meeting or any adjournment thereof. On that date the Company had outstanding 3,565,820 shares of common stock. Each share is entitled to one vote, subject to the right to cumulate votes in the election of directors, as described below under Election of Directors.

IMPORTANT**PLEASE SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY.**

The following table sets forth, for each officer, director, nominee for director and 5% shareholder of the Company and for all officers and directors as a group (7 persons), the number and percent of outstanding shares of common stock of the Company owned on March 24, 2006.

Name or Category(1)	Shares Beneficially Owned(2)			
	Without Options(7)		Options Exercised(8)	
	Number	Percent	Number	Percent
John D. Determan (3)	335,327	9.4%	335,327	9.1%
Theodore L. Arena	298,990	8.4%	390,448	10.6%
Ronald A. Provera (4)	322,330	9.0%	322,330	8.8%
Santo Zito	397,530	11.1%	397,530	10.8%
Thomas J. Mulroney (5)	28,338	.8%	43,991	1.2%
Estate of Louis A. Arena (3)(6)	263,030	7.4%	263,030	7.2%
John M. Boukather	3,173	.1%	3,173	.1%
Joseph W. Wolbers	12,250	.3%	12,250	.3%
William A. West, Jr.	50,300	1.4%	50,300	1.4%
Officers and Directors	1,112,911	31.1%	1,220,022	33.2%
Shares Outstanding	3,565,820	100%	3,672,931	100%

- (1) The address for each person is c/o Provena Foods Inc., 5010 Eucalyptus Avenue, Chino, California 91710.
- (2) All shares are held directly except as noted below.
- (3) Shares not included in the shares of all officers and directors as a group.
- (4) Includes 320,930 shares held by the family trust of Ronald A. Provera and his wife, Madelyn M. Provera.
- (5) Includes 3,800 shares owned by Marsha Mulroney, wife of Thomas J. Mulroney.
- (6) Louis A. Arena, a shareholder and director of the Company from its inception and chairman of the audit committee, died January 6, 2006.
- (7) Excludes options under the Company's Incentive Stock Option Plan to Theodore L. Arena to purchase 91,458 shares, to Thomas J. Mulroney to purchase 15,653 shares and to all officers and directors as a group to purchase 107,111 shares.
- (8) The options of Messrs. Arena, Mulroney, and the group are deemed exercised.
- No other person is known to the Company to own beneficially more than 5% of the outstanding shares of common stock of the Company.

Based on copies of filed forms and written representations, the Company believes that all officers, directors and 10% shareholders have timely filed all Forms 3, 4 and 5 required for 2005 and (except as previously disclosed) prior years by Section 16(a) of the Securities Exchange Act.

ELECTION OF DIRECTORS

Six directors are to be elected to serve until their successors are elected at the next annual meeting. Shareholders are entitled to cumulate votes for directors upon notice by a shareholder at the meeting prior to the voting. Under cumulative voting, each shareholder may cast a number of votes equal to the number of directors to be elected multiplied by the number of the shareholder's shares, and may allocate the votes to one or distribute them among some or all of the candidates. The six candidates nominated prior to the voting receiving the highest number of votes are elected directors.

Unless otherwise directed in the Proxy card, if cumulative voting is invoked, votes under proxies received pursuant to this solicitation will be distributed among the six nominees listed below so as to elect as many of them as possible. If any nominees become unavailable, the proxies may be voted in the proxyholders' discretion for substitute nominees.

NOMINEES FOR BOARD OF DIRECTORS

The name, age, principal position for the past five years and other relevant information for each nominee for the Board of Directors is as follows:

Theodore L. Arena, age 63, has been the General Manager of the Company's Swiss American Sausage Co. meat division since 1976, the President and a director of the Company since 1985, the Chief Executive Officer since 1998 and Chairman of the Board since 2004.

Santo Zito, age 68, has been the Company's plant engineer since 1976, and a vice president and director of the Company since 1972. He is currently the General Manager of the pasta division. He is a member of the option committee.

Joseph W. Wolbers, age 76, has been a director of the Company since 1990. He retired in 1989 as a vice president of First Interstate Bank where he had been employed since 1950. He is a member of the audit committee.

John M. Boukather, age 69, is a management consultant. He was the Director of Operations of PW Supermarkets from 1993 to 1994, Vice President, Retail Sales, of Certified Grocers of California, Ltd. from 1992 to 1993 and president of Pantry Food Markets from 1983 to 1987. He has been a director of the Company since 1987. He is a member of the audit committee.

William A. West, Jr., age 68, is a Registered Representative of Stiteler Investments, Inc. of Phoenix, Arizona. He was the Treasurer of the State of Arizona from 1991 to 1999 and an Arizona State Senator from 1983 to 1989. He is the father of Santo Zito's son-in-law. He is the chairman of the audit committee.

Louis J. Arena, Jr., age 53, is the President and Founder of Arena Distributing Incorporated and the son of Louis A. Arena, major shareholder and director, who died January 6, 2006.

BOARD COMMITTEES AND MEETINGS

The Board of Directors presently has two committees, the audit committee and the option committee. The board has had no executive, nominating or compensation committees, but under the Nomination Process and Compensation Decision Procedures adopted by the board on April 15, 2004, nomination and compensation decisions are made by the board based on the recommendation of a majority of the independent directors.

The Nomination Process provides: the procedures for deliberations of the independent directors on their recommendation of nominees to the board; the process for identifying and evaluating nominees; the desirable qualifications for nominees; that a majority of nominees must be independent including at least three with financial literacy and one with financial sophistication; and, that timely shareholder recommendations of nominees shall be given the same consideration as other recommendations. Louis J. Arena, Jr. was recommended as a nominee by Theodore L. Arena.

The audit committee's function is to oversee the Company's financial practices and controls and its relationship with its outside auditors, as provided by the revised Audit Committee Charter adopted by the board and audit committee on April 15, 2004. The charter provides that all related party transactions are subject to review and oversight by the audit committee, that the audit committee has the responsibility for engaging or terminating the outside auditors and that the audit committee determines the funding it requires to perform its functions and sets forth procedures for the receipt, retention and treatment of complaints received regarding accounting, controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters. On March 9, 2006, the board appointed William A. West, Jr. to the audit committee and the committee selected him as chairman. The board has determined that all members of the audit committee are independent within the meaning of the AMEX rules. All audit committee members have financial literacy and at least two, Joseph W. Wolbers and William A. West, Jr. have financial sophistication under AMEX criteria. The audit committee met 2 times in 2005 and acted once by written consent.

The option committee's function is to administer the Company's 1987 Incentive Stock Option Plan. The option committee did not meet in 2005.

The board held 4 formal meetings and acted 3 times by unanimous written consent during 2005. All members were present at all board and committee meetings.

Directors are encouraged, but not required, to attend shareholders meetings. Directors who are not officers or employees are paid a fee of \$1,500 for each shareholders meeting attended. At the 2005 Annual Meeting of Shareholders, 4 of the 6 directors were in attendance.

Directors who are not officers or employees are paid a fee of \$1,500 for each board meeting or board committee meeting attended in person and \$250 for each meeting attended by telephonic conference call.

Audit Committee Report

Beginning with the 2nd quarter of 2000, the audit committee has met at least quarterly. The outside auditors were invited to each meeting to discuss any significant matters relating to the quality and accuracy of the Company's financial reporting principles, policies and practices. The committee reviewed and discussed with the auditors and management the results of the annual audit and the audited financial statements for the year 2005. The committee also reviewed with the auditors and received a written statement from them on their independence and any relationships that might compromise that independence. Based on the foregoing, the committee recommended to the board that the financial statements be included in the Form 10-K.

William A. West, Jr.

John M. Boukather
EXECUTIVE COMPENSATION

Joseph W. Wolbers

The following table sets forth for the years ended December 31, 2005, 2004 and 2003, all compensation of all executive officers of the Company serving at December 31, 2005.

Name and Position	Year	Annual	SEP-IRA	Cash
		Salary	Contributions	Bonus
Theodore L. Arena, Chief Executive Officer	2005	\$ 128,095	26,714	50,000
	2004	128,115		
	2003	129,628	25,076	37,542
Ronald A. Provera, Secretary	2005	125,630	18,845	
	2004	128,737		
	2003	130,536	19,500	
Santo Zito, Vice President	2005	131,609	20,012	
	2004	131,263		
	2003	133,415	19,528	
Thomas J. Mulroney, Chief Financial Officer	2005	125,401	18,810	
	2004	125,403		
	2003	127,807	19,171	

See Incentive Stock Option Plan below for information on Incentive Stock Options. See Simplified Employee Pension Plan below for information on SEP-IRA Contributions. The cash bonuses were paid in anticipation of the adoption of a Stock Grant Plan. See Stock Grant Plan below for information on the Stock Grant Plan.

Except as authorized by the approval of the Stock Grant Plan, the Company does not currently pay bonuses or deferred compensation to executive officers. The Company does not provide executive officers with automobiles, employment contracts or golden parachute arrangements.

Simplified Employee Pension Plan

In 1988, the Company adopted a Simplified Employee Pension_Individual Retirement Accounts (SEP_IRA) plan and executed SEP-IRA Agreements with Wells Fargo Bank, N.A. and Dean Witter Reynolds Inc., covering all employees at least 18 years old who have worked at least six months and earned at least \$300 during the year, except certain union employees. Union plant employees at both divisions do not participate in the SEP-IRA plan under the terms of their current collective bargaining agreements.

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The Company makes contributions under the plan in the discretion of the board, allocated in proportion to compensation, to an Individual Retirement Account (IRA) established by each eligible employee.

Contributions, up to 15% of eligible compensation, are deductible by the Company and not taxable to the employee. An employee may withdraw SEP_IRA funds from the employee's IRA. Withdrawals are taxable as ordinary income, and withdrawals before age 59½ may be subject to tax penalties.

For 2005, the Company contributed \$426,812 to IRAs under the plan, but made no contribution for 2004.

Incentive Stock Option Plan

In April 1987, the Company adopted an Incentive Stock Option Plan under Section 422A of the Internal Revenue Code of 1986. Under the plan, as amended in 1988, for a period of 10 years from the date of adoption, an Option Committee appointed by the Board of Directors was authorized in its discretion to grant to key management employees options to purchase up to an aggregate of 261,704 shares of common stock of the Company. The purchase price of shares covered by an option could not be less than the market value of the shares on the date of grant and the term of an option could not exceed 10 years.

Options may no longer be granted under the plan. No options were exercised in 2005. At December 31, 2005, outstanding options to purchase shares at \$2-9/16 per share were held 91,458 by Theodore L. Arena and 15,653 by Thomas J. Mulrone. All outstanding options are exercisable at a price which exceeds the year end stock market closing price of \$1.01 per share.

Stock Grant Plan

In 2002, the Board of Directors of the Company conditionally authorized the adoption of a Stock Grant Plan to grant shares of the Company's common stock to two executive officers of the Company, 180,000 shares to Theodore L. Arena and 100,000 shares to Thomas J. Mulrone and to pay them cash bonuses over three years beginning in 2002 to cover the income taxes they incur from receipt of the grants. In October 2003, the Board of Directors revised the Plan to limit the stock grant to 150,000 shares to Mr. Arena and to provide for only cash bonuses to Mr. Mulrone.

On February 26, 2004, the Company granted and issued the 150,000 shares to Mr. Arena when the market price of the Company's shares was \$1.36 per share. The shares have full voting power and participate in dividends, but only 1/6 of the shares vested immediately and the balance will vest ratably over the next five years, contingent on Mr. Arena's continued employment with the Company. The shares have been listed on the American Stock Exchange but have not been registered under the Securities Act of 1933, relying on the exemption under Section 4(2) of the act for transactions not involving any public offering. The \$204,000 market value of the 150,000 shares on the date of grant is taxable income to Mr. Arena and an income tax deduction to the Company in 2004 and will be compensation expense recognized by the Company ratably over the vesting period. Mr. Arena was paid \$57,900 in 2002, \$37,542 in 2003 and \$50,000 in 2005 as cash bonuses to cover the income taxes he incurs from receipt of the shares.

Compensation Committee Interlocks and Insider Participation

The Company has no formal compensation committee, but the compensation of every officer is determined by the Board based on the recommendation of a majority of the directors who are independent. The chief executive officer is not present during deliberations regarding his compensation.

Board Report on Executive Compensation

The major Company policy affecting past and current executive compensation is to run the Company for the benefit of its shareholders and not for the benefit of management. The board members own about a third of the outstanding shares of the Company. Three out of four of the executive officers are substantial shareholders of the Company. Executive officers who are substantial shareholders have the same interest as the other shareholders in the long term performance of the Company. Their stock interest causes them to be directly rewarded or penalized by whether or not and the extent to which the Company pays dividends and maintains its growth, which should ultimately be reflected in the value of the Company's stock.

The compensation of the one executive officer who is not a substantial shareholder is based upon the judgment of the board of how well the officer is performing his duties and how well the Company is performing. The shares issued under the Stock Grant Plan described above were intended to increase the stock ownership of one executive officer and retain his services. There is no specific relationship between Company performance and compensation for any executive officer, other than through stock options for two executive officers.

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John M. Boukather

Theodore L. Arena

Santo Zito

Joseph W. Wolbers

William A. West, Jr.

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Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Company's common stock to the S&P 500 Stock Index and the S&P Food Products Index for five years, assuming reinvestment of dividends.

100% ± CUMULATIVE % CHANGE AT 12/31 OF YEAR

	2000	2001	2002	2003	2004	2005
S&P 500 Stock Index	100	88	69	88	98	103
S&P Food Products Index	100	102	104	114	138	130
Provena Foods Inc.	100	102	74	77	54	61

RELATIONSHIP WITH INDEPENDENT AUDITORS

Cacciamatta Accountancy Corporation is the Company's independent auditor and is expected to continue in this capacity for the current year. Representatives of Cacciamatta Accountancy Corporation have indicated that they intend to be present at the Annual Meeting and will have an opportunity to address the shareholders and respond to appropriate questions.

The aggregate fees billed for services rendered by Cacciamatta Accountancy Corporation to the Company for 2005 are as follows:

Audit Fees. Cacciamatta Accountancy Corporation's audit and quarterly review fees for 2005 were \$114,000.

Audit-Related Fees. No audit-related fees were billed by Cacciamatta Accountancy Corporation for 2005.

Tax Fees. No fees for tax advice were billed by Cacciamatta Accountancy Corporation for 2005.

All Other Fees. No other fees were billed by Cacciamatta Accountancy Corporation for 2005 for products or services.

The policies and procedures of the Audit Committee with respect to the engagement of the Company's independent auditors to render audit or non-audit services are that the services are not performed until the Audit Committee has discussed with the auditors the services to be rendered, received estimates of the fees for the services and approved the engagement.

OTHER MATTERS

The Board of Directors knows of no business which will be presented for consideration at the Annual Meeting other than as stated in the Notice of Meeting. If any other business should properly come before the meeting, votes may be cast pursuant to the proxies solicited hereby with respect to such business in the discretion of the proxyholders.

SHAREHOLDER COMMUNICATIONS, NOMINATIONS AND PROPOSALS

Any recommendation a shareholder wishes to make for a nominee to the Board of Directors to be elected at the 2006 Annual Meeting of Shareholders and any proposal a shareholder wishes to have presented at the 2007 Annual Meeting of Shareholders must be received by the Company by January 1, 2007. Six copies of any such recommendation or proposal and of any communication a shareholder wishes to send to the board should be mailed to the Company at the address first above written, marked Attention: Board of Directors, and, upon receipt, a copy will be distributed to each director.

By Order of the Board of Directors.

THEODORE A. ARENA
Chairman of the Board

Chino, California
March 31, 2006

**PLEASE SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE
ACCOMPANYING SELF-ADDRESSED POSTAGE PREPAID ENVELOPE.**

x PLEASE MARK VOTES AS IN THIS EXAMPLE

**REVOCABLE PROXY
PROVENA FOODS INC.**

**For With- For All
.. held .. Except
..**

ANNUAL MEETING OF SHAREHOLDERS

1. ELECTION OF DIRECTORS

APRIL 25, 2006

To elect the nominees listed below.

This Proxy is Solicited on Behalf of

the Board of directors

The undersigned hereby appoints SANTO ZITO, THEODORE L. ARENA and RONALD A. PROVERA as Proxies, each with full power of substitution, to represent and to vote as directed below, all of the shares of common stock of Provena Foods Inc. held of record by the undersigned on March 25, 2006, at the Annual Meeting of Shareholders to be held on April 25, 2006 or any adjournment thereof.

Theodore L. Arena, Louis J. Arena, Jr., Santo Zito, John M. Boukather, Joseph W. Wolbers and William A. West, Jr.
INSTRUCTION: To withhold authority to vote for any nominees, mark For All Except and strike out their names above.

This Proxy, when properly executed, will be voted as the undersigned shareholder directs below.

2. In their discretion, to vote on such other business as may properly come before the meeting.

IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR PROPOSAL 1.

PLEASE MARK BOX IF YOU PLAN TO ATTEND THE MEETING. ¨

Please be sure to sign and date this Proxy in the box Date below.

Shareholder sign above Co-holder (if any) sign above

Note: Please sign exactly as name appears above. If signed as representative, state capacity.

 Detach above card, sign, date and mail in postage paid envelope provided. 

PROVENA FOODS INC.

**PLEASE ACT PROMPTLY
SIGN, DATE MAIL YOUR PROXY CARD TODAY**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.