



Brown Gibbons Lang & Company

Cleveland

1111 Superior Ave.
Suite 900
Cleveland, OH 44114

Chicago

Two Prudential Plaza
180 N. Stetson Ave.
Suite 3600
Chicago, IL 60601

Boston

Two International Place
16th Floor
Boston, MA 02110

For more information
about how BGL's Food &
Beverage Group can assist
your company, please
contact:

H. Glen Clarke
Managing Director &
Principal,
Head of Food &
Beverage Group
gclarke@bglco.com
312.658.1600

How Did This Happen to Topps?

On October 5, 2007, Topps Meat Company announced that the economic impact from the second-largest beef recall in U.S. history, involving more than 21.7 million pounds of ground beef products, forced the company to close its doors after 67 years of operations. In early 2006, the company won an award from *Refrigerated and Frozen Foods Retailer* for achieving greater than 10% growth in sales and units sold. A year and a half later, the company has recalled all of the frozen patties produced between September 25, 2006 and September 25, 2007.

"This is tragic for all concerned," said Anthony D'Urso, former COO of Topps. "In one week we have gone from the largest U.S. manufacturer of frozen hamburgers to a company that cannot overcome the economic reality of a recall this large."

At least 30 people in eight states have contracted E. coli infections matching the strain found in the Topps patties. Ranchers Beef of Balzac, Alberta, a beef trim supplier, has been identified as the likely source of the multi-state outbreak of E. coli infections. On October 25th, the Canadian Food Inspection Agency (CFIA) provided the Food Safety and Inspection Service with DNA data from tests of beef trim from Ranchers Beef that matched the strain linked to the recall. Ranchers Beef, a self-described vertically-integrated beef slaughterer and processor, closed its \$40 million facility and filed for bankruptcy

in August as a result of the CFIA's investigation into 45 illnesses in Canada caused by the same E. coli strain.

Currently, Topps faces at least two lawsuits since the recall, one from the family of an upstate New York girl, and one seeking class-action status on behalf of all people who bought or ate the hamburgers. The family of a Florida girl who suffered kidney failure sued Wal-Mart Stores Inc., which is among the chains that sold Topps patties. Other suppliers of Topps patties include retailers in the eastern United States such as Pathmark and ShopRite. Topps also sold products to food service operators for hospitals, schools, restaurants, and hotels.

While Topps is out of business, several questions remain about the efficacy of the meat recall process and of what, if anything, will happen to the meat companies that sold Topps its raw materials. In addition, the closing, or any subsequent bankruptcy, does not derail the lawsuits. "Bankruptcy will slow the process down, but it does not mean that people will not be compensated," said a lawyer.

An unprecedented number of E. coli recalls, including a recent recall of one million pounds of beef from agribusiness giant, Cargill Inc., has caused the USDA to take new actions to minimize the risk of illnesses. Regardless, consumer concern will continue as the recalls continue.

Insight of the Month

Private Equity News

In deal news, Morgan Stanley Private Equity has agreed to buy the Tops Markets grocery chain from Dutch conglomerate, Ahold, for \$310 million. The 71 stores will continue to operate as Tops Markets and Martin's Super Food Stores with the same staff. Tops was founded as a neighborhood grocery chain in Buffalo in 1960, and was later acquired by Ahold in 1991. In recent years, Ahold had sold some of its Tops stores in eastern New York, the Adirondacks, and Ohio to Giant Eagle.

The organic food delivery company, Abel & Cole, recently received a £40 million (\$84.2 million) injection from Phoenix Equity Partners. Abel & Cole, who delivers to 50,000 customers in the UK and has expanded its product offering from fruits and vegetables to a range that includes meat, fish, and cider, will now be able to expand to regions where there is high demand.

Caxton-Iseman Capital's and Sentinel Capital Partners' investment in a chain of well-performing buffet-style restaurants seven years ago is sinking under a weight of debt that has been complicated by a fragile layer of liquidity. Since the acquisition of Ryan's Restaurant Group, merger-related synergies have fallen far short of the target, cash flow and EBITDA have plummeted, and the company has edged toward the outer limits of the promises it made to bond holders.

In other consumer products news, two high-profile personal care transactions were recently announced. The transactions included the sale of Burt's Bees, a former portfolio company of AEA Investors, for \$925 million to Clorox, and VMG Equity Partners' purchase of mineral makeup company Colorescience for an undisclosed amount.

(\$ in millions)

Food Processing

October 25, 2007	Snyder's of Hanover will acquire Chicago-based Jays Foods Inc. and sister company Select Snacks Co.	\$24.8	With combined estimated sales of \$125 million, the acquisition of Jays and Select Snacks, who filed for Chapter 11 bankruptcy in October for the second time in three years, will put Snyder's on its way to reaching its goal of doubling sales of \$500 million in the next five years. The deal includes the name and brands of Jays, Krunchers, and O-Ke-Doke.
October 16, 2007	Amish Naturals has acquired Schlabach Amish Wholesale Bakery , a Benton, Ohio producer of a variety of all-natural gourmet foods.	-	Schlabach Amish Wholesale Bakery features proprietary Amish recipes for granola, nutritional bars, and other whole grain cereal products. Its products are offered in hundreds of retail and specialty outlets including Whole Foods, Giant Eagle, Dutch Valley, and Van Kampen.
October 16, 2007	Foster Farms Dairy , the largest privately-owned dairy company in California, has acquired Crystal Cream & Butter Co. 's dairy business from HP Hood.	-	The purchase will allow Foster Farms Dairy to market and sell its products in an expanded area in Northern California. HP Hood purchased Crystal Cream & Butter this summer for the purposes of acquiring a California facility, but was not interested in the brand.
October 16, 2007	Fresh Express , a wholly owned subsidiary of Chiquita Brands International, Inc. , has acquired Verdelli Farms , a premier regional processor of value-added salads, vegetables, and fruit snacks on the East Coast of the U.S.	-	The acquisition will expand Fresh Express' market share in the Northeast from approximately 30% and serve as a platform for further growth in this important region. In 2006, Verdelli Farms produced more than 8 million cases of fresh salads, vegetables, and fruit snacks for more than 80 customers in 10 states.
October 15, 2007	Frutarom Industries Ltd. has acquired Gewurzmueller GmbH and Blessing Biotech GmbH , leading German developers, producers, and marketers of savory flavors, seasoning compounds, and functional ingredients for the food industry.	-	According to Ori Yehudai, President and CEO of the Frutarom Group, the acquisition continues the implementation of Frutarom's rapid growth strategy and further established its position as one of the ten largest global leaders in the field of flavors.
October 2, 2007	PepsiCo Inc. agreed to acquire Brazilian snack company Comercio de Doces Lucky Ltda , the producer of a variety of snacks including the popular Torcida and Fofura brands.	-	The acquisition by PepsiCo is an attempt to boost its growth prospects in South America's largest country. It includes all of Lucky's brands, call centers, and two factories in or near Sao Paulo.

Beverages

October 2, 2007	Smucker Foods of Canada Co , a subsidiary of The J.M. Smucker Company , has acquired the Canadian Carnation brand canned milk products business from Nestle Canada .	-	The acquisition includes Carnation branded milk products such as evaporated milk, thick cream, and skim milk powder as well as a manufacturing facility in Sherbrooke, Quebec with 29 employees.
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Private Equity

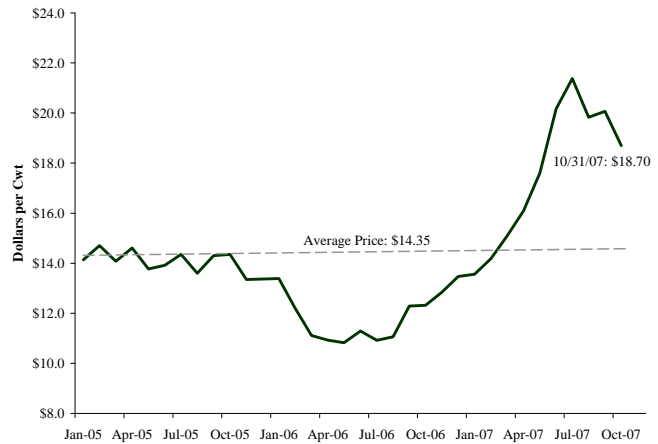
October 2, 2007	Kraft Foods Inc. has agreed to sell its Fruit2O water and Veryfine juice brands and related assets to Sunny Delight Beverages Co. , currently owned by J.W. Childs Associates.	-	Fruit2O and Veryfine generated \$135 million of revenue in 2006. According to Rick Searer, Executive Vice President and President of Kraft North America, the company agreed to sell the brands as they did not fit with Kraft's long-term growth strategies.
October 1, 2007	Creo Capital Partners , a Los Angeles-based private equity firm, acquired Filet of Chicken , a Georgia-based processor and distributor of chicken products.	-	Established in 1985, Filet of Chicken operates a 100,000 square foot manufacturing facility just outside of Atlanta and serves customers nationwide in the food service, restaurant, and retail end markets.

Commodities Impacting the Food and Beverage Industry

Class III Milk

- Class III milk, used to produce most types of cheese, is set to sail past the previous record prices in 2004 by 15% this year.
- Dairy producers are responding to higher milk prices by herd expansion and increasing milk per cow.
- Milk production has increased by more than 3% since July, compared to increases well below 2% experienced from January to June.
- Milk prices are expected to decline for the remainder of the year; however, the average for 2007 prices is estimated at \$17.60, breaking the 2004 record of \$15.39.
- Prices are expected to remain high well into 2008.

Class III Milk



Source: Agricultural Statistics Board, NASS, USDA

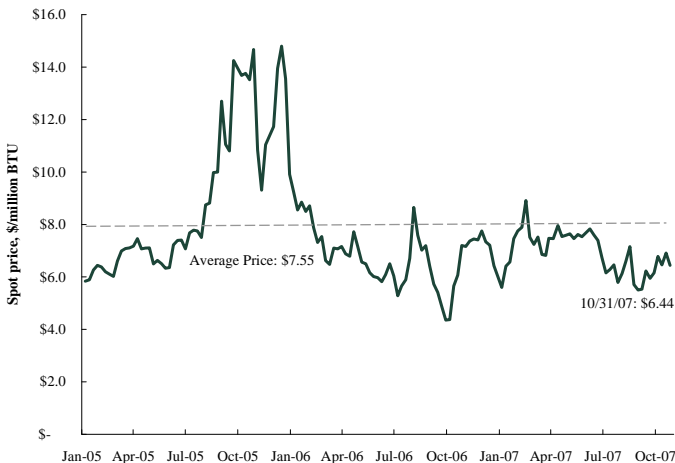
Natural Gas

- Natural gas prices moved higher at virtually all market locations during the last week of October as record-high crude oil prices and colder temperatures across large portions of the U.S. contributed to price spikes. To date in this hurricane season, which continues through November, there has been little disruption of supplies from tropical storm activity.

Corn Prices

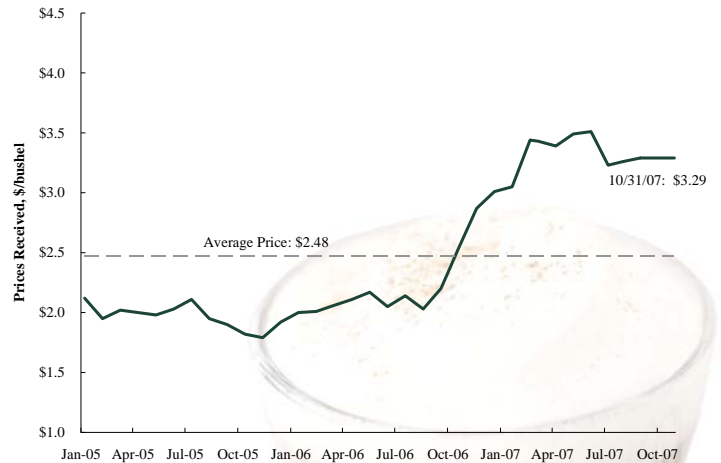
- Corn prices remained flat once again for the month of October. Prices finished at \$3.29 per bushel with little changes in production and usage. However, prices still remain near historic highs as the demand for ethanol as a substitute for oil and other fossil fuels has spurred a significant increase in prices over the last year from \$2.54 per bushel in October 2006 to \$3.29 per bushel this October.

Henry Hub Natural Gas Price



Source: Energy Information Administration

Corn Prices



Source: Agricultural Statistics Board, NASS, USDA

Public Company Analysis

(\$ in millions, except per share data)

Company Name	Stock Price ^(a)	Market Cap ^(a)	Enterprise Value ^(b)	Margins			Enterprise Value			Total Debt / EBITDA
				Gross	EBITDA	EBIT	TTM Revenue	TTM EBITDA	TTM EBIT	
Processed Foods ^(c)										
Campbell Soup Co. (NYSE:CPB)	\$ 36.98	\$ 14,197.3	\$ 16,795.3	41.9%	19.3%	15.7%	2.1x	11.0x	13.6x	1.8x
ConAgra Foods Inc. (NYSE:CAG)	23.73	11,562.6	14,826.8	26.3	14.7	12.0	1.2	8.0	9.7	1.9
Dean Foods Co. (NYSE:DF)	27.77	3,628.1	8,948.1	26.2	8.5	6.3	0.8	9.9	13.3	5.9
Del Monte Foods Co. (NYSE:DLM)	10.34	2,094.1	4,138.9	26.5	13.5	10.5	1.2	8.8	11.2	4.4
Flowers Foods Inc. (NYSE:FLO)	21.94	2,005.0	2,034.3	49.3	10.0	6.7	1.0	10.4	15.5	0.2
Fresh Del Monte Produce Inc. (NYSE:FDP)	36.28	2,097.3	2,454.2	9.0	5.4	3.0	0.8	14.1	25.9	2.2
General Mills Inc. (NYSE:GIS)	57.73	19,387.8	27,730.8	36.2	20.2	16.9	2.2	10.5	12.6	3.2
Hershey Co. (NYSE:HSY)	43.11	9,831.6	12,179.1	34.3	23.0	16.8	2.5	10.7	14.6	2.1
HJ Heinz Co. (NYSE:HNZ)	46.78	14,929.6	19,461.3	37.6	19.2	16.3	2.1	11.0	13.0	2.8
Kellogg Co. (NYSE:K)	52.79	20,799.3	25,113.3	44.8	19.9	16.7	2.2	10.9	13.0	2.1
Kraft Foods Inc. (NYSE:KFT)	33.41	52,677.9	64,775.9	35.7	17.0	14.5	1.8	10.7	12.6	2.1
Ralcorp Holdings Inc. (NYSE:RAH)	56.30	1,460.6	2,199.0	19.4	11.3	7.7	1.0	8.9	12.8	3.2
Sara Lee Corp. (NYSE:SLE)	16.54	11,983.6	13,791.6	38.8	11.3	7.0	1.1	9.9	16.1	3.1
The Hain Celestial Group Inc. (NASDAQ:HAIN)	35.06	1,391.3	1,552.5	29.0	11.0	9.4	1.7	15.7	18.4	2.2
The J. M. Smucker Company (NYSE:SJM)	53.43	3,072.9	3,546.6	33.6	15.6	12.9	1.6	10.4	12.6	2.4
Treehouse Foods Inc. (NYSE:THS)	27.90	870.5	1,155.4	20.7	9.6	6.8	1.1	11.5	16.3	2.8

Median ^(d)	33.9%	14.1%	11.2%	1.42x	10.5x	13.0x	2.3x
Average ^(d)	31.8	14.3	11.2	1.53	10.6	13.7	2.6

Protein ^(c)

Hormel Foods Corp. (NYSE:HRL)	\$ 36.48	\$ 4,980.5	\$ 5,236.1	23.1%	9.8%	7.8%	0.9x	8.7x	11.0x	0.6x
Pilgrim's Pride Corp. (NYSE:PPC)	29.70	1,976.7	3,629.4	7.0	4.7	2.0	0.5	11.4	26.5	5.4
Smithfield Foods Inc. (NYSE:SFD)	28.67	3,848.8	7,225.2	9.4	5.2	3.4	0.6	10.1	14.9	4.8
Tyson Foods Inc. (NYSE:TSN)	15.80	5,644.5	8,573.5	5.1	3.9	1.9	0.3	8.3	16.6	2.9

Median ^(d)	8.2%	4.9%	2.7%	0.56x	9.4x	14.9x	3.8x
Average ^(d)	11.2	5.9	3.8	0.57	9.6	14.2	3.4

Beverage ^(c)

Coca-Cola Co. (NYSE:KO)	\$ 61.76	\$ 142,725.9	\$ 147,560.9	64.2%	29.9%	26.0%	5.4x	17.9x	20.6x	1.2x
Constellation Brands Inc. (NYSE:STZ)	25.12	5,411.5	10,127.3	31.6	17.8	14.4	2.3	10.2	12.0	4.8
Hansen Natural Corp. (NASDAQ:HANS)	68.00	6,299.0	6,101.5	52.2	23.4	23.1	8.2	35.2	35.6	0.0
PepsiCo, Inc. (NYSE:PEP)	73.72	118,667.2	119,323.2	54.7	22.2	18.5	3.2	13.2	15.7	0.3

Median ^(d)	53.4%	22.8%	20.8%	4.27x	15.6x	18.1x	0.8x
Average ^(d)	50.7	23.3	20.5	4.77	19.1	21.0	1.6

Source: Capital IQ

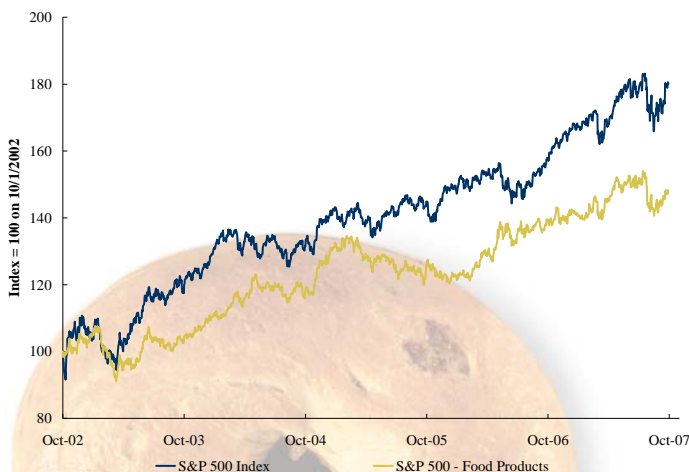
(a) As of 10/31/2007

(b) Enterprise value is market value of equity plus preferred equity, minority interest, and net debt (debt less cash)

(c) Figures have been adjusted for non-recurring and extraordinary gains or losses

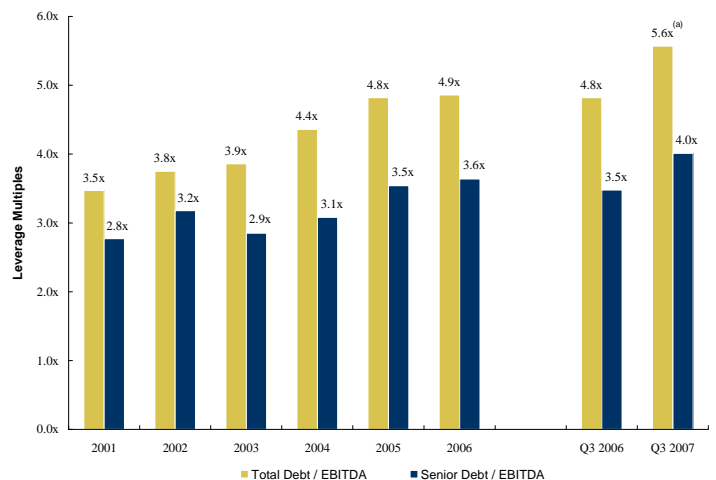
(d) Outliers (boxed above) are excluded from summary multiples and statistics

S&P 500 vs. S&P Food



Source: Capital IQ

Leverage Multiples



(a) Third quarter 2007 multiples based on only 13 transactions

Source: Standard & Poors

has been acquired by

Best Brands Corp.
a portfolio company of
Brantley Partners
has acquired

a division of

The J. M. Smucker Company
(NYSE: SJM)

Best Brands Corp.

has been recapitalized by

The assets of

have been acquired by

has been acquired by

has been acquired by

Brown Gibbons Lang & Company Food & Beverage Group

H. Glen Clarke
Managing Director
& Principal
gclarke@bglco.com
Chicago

Leslie A. Nolan
Vice President
lnolan@bglco.com
Chicago

Jonathan A. Adams
Analyst
jadams@bglco.com
Chicago



Cleveland
216.241.2800

Chicago
312.658.1600
www.bglco.com

Boston
617.235.7207

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