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SEPTEMBER 30, 2009

COMPANY SUMMARY

Wednesday, September 30, 2009

Speaker: Bob Cummins

Rating: Strong Buy

Food Industry Comment:

ConAgra Foods (CAG-\$21.50)

	<u>F2008</u>	<u>F2009(b)</u>	<u>F2010E</u>	<u>Dividend/ Yield</u>	<u>Shares Out. (mil.)</u>	<u>12-Mo. Range</u>	<u>12-Mo. Target</u>
EPS (a)	\$1.11	\$1.51	\$1.75	\$0.80	443.2	\$23-\$14	\$26-\$27
P/E	-	-	12.3x	3.7%			

(a) May fiscal years. Excludes nonrecurring gains and charges. Continuing operations.

(b) 53 weeks.

ConAgra Foods, like other food manufacturers, has experienced declining profit margins and disappointing earnings over much of the past two years, reflecting unprecedented increases in both food and non-food commodity prices. More recently, however, the company has responded forcefully by raising prices for its products, while input costs have declined sharply, reflecting favorable growing conditions and a weak economy. As a result, EPS in the May quarter more than doubled, and they increased 41% in the August period.

While at some point year-to-year earnings increases will slow, we look for continuing favorable results over the next several quarters. Having struggled to raise prices in an inflationary environment, we doubt that management will be eager to roll them back. The key agricultural commodities that we monitor are currently trading 30% below a year ago, on average, and in several cases well below two years ago, with little evidence of a recovery. CAG's most important brands appear to be performing well, and the company is using excess cash to repurchase shares. While F2010 will include one less week, management's EPS guidance of \$1.70, up \$0.19, looks conservative considering that the company is already \$0.11 ahead of last year after a strong first quarter. Moreover, the valuation and dividend yield remain attractive. We are maintaining our "1" (Strong Buy) rating, and raising our 12-month target price from \$23-\$24 to \$26-\$27.

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See page 11 for Analyst's Certification, pages 11-12 for Important Disclosures and pages 12-13 for Other Disclosures and Disclaimers

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Table 2 summarizes the quarterly performances of ConAgra's two business units since F2006. In the first quarter ended August, the larger of the two, **Consumer Foods**, posted a modest 1% increase in sales, but operating profits excluding one-time items rose by an impressive 43%, reflecting cost reduction steps, improved mix and pricing, and lower input costs. The Consumer profit margin rose by a dramatic 390 basis points, from a depressed 9.5% in the year-ago period to a more normal 13.4% of sales. We expect continued favorable profit comparisons over the balance of F2010, albeit less dramatic ones.

The smaller of the two divisions, **Commercial Foods**, is an important supplier of potato products to restaurants, and thus is seeing an impact from the weakness in that industry, related to the economy. On the other hand, the company's flour milling operations earned minimal profits a year ago due to high grain prices, and saw a healthy year-to-year profit improvement in the August quarter. Commercial Foods reported a 9% sales decline for the period, reflecting a pass-through of lower wheat prices, but profits rose 9%, and the profit margin, which was an unusually low 10.7% of sales a year ago, recovered to a more normal 12.8%.

As shown by Table 1, sales for the company as a whole declined 3% in F1Q, but gross profit rose 15%, operating profit increased 24%, and net income after interest expense, income taxes and equity earnings rose by a healthy 34%. Average shares outstanding declined 5% as a result of the company's ongoing buyback program, and thus EPS rose 41% to a record \$0.38, versus \$0.27 a year ago. The operating profit margin expanded by 230 basis points, to 10.1% of sales, up from a depressed 7.8% a year ago.

Table 1: ConAgra Foods, Inc. - Quarterly Summary (millions except EPS) (a)

	Continuing Operations (b)			
	F2010	F2009	F2008	F2007
August				
Net Sales	\$2,961.4	\$3,066.5	\$2,621.1	\$2,474.7
Cost of Goods Sold	2,244.9	2,432.0	1,996.3	1,845.9
Gross Profit	716.5	624.5	624.8	628.8
SG&A Expenses	418.4	385.0	387.5	380.1
Operating Profit	298.1	239.5	237.3	248.7
Interest Expense, Net	41.5	50.1	54.8	56.2
Income Before Taxes	256.6	189.4	182.5	192.5
Income Taxes	96.2	63.5	61.1	69.3
Income After Taxes	160.4	125.9	121.4	123.2
Equity Earnings	8.9	0.9	9.6	(0.2)
Net Income	\$169.3	\$126.8	\$131.0	\$123.0
Diluted Shares	445.6	469.6	492.8	512.4
EPS	\$0.38	\$0.27	\$0.26	\$0.24
% of Sales				
Gross Profit	24.2%	20.4%	23.8%	25.4%
SG&A Expenses	14.1	12.6	14.7	15.4
Oper. Profit	10.1	7.8	9.1	10.0
Effective Tax Rate	37.5%	33.5%	33.5%	36.0%
November				
Net Sales	\$3,264.3	\$2,951.2	\$2,951.2	\$2,776.6
Cost of Goods Sold	2,577.8	2,190.0	2,190.0	2,028.2
Gross Profit	686.5	761.2	761.2	748.4
SG&A Expenses	341.9	481.3	481.3	453.6
Operating Profit	344.6	279.9	279.9	294.8
Interest Expense, Net	42.7	62.2	62.2	51.5
Income Before Taxes	301.9	217.7	217.7	243.3
Income Taxes	108.3	83.0	83.0	93.2
Income After Taxes	193.6	134.7	134.7	150.1
Equity Earnings	1.9	12.5	12.5	8.4
Net Income	\$195.5	\$147.2	\$147.2	\$158.5
Diluted Shares	449.5	490.7	490.7	511.3
EPS	\$0.43	\$0.30	\$0.30	\$0.31
% of Sales				
Gross Profit	21.0%	25.8%	25.8%	27.0%
SG&A Expenses	10.4	16.3	16.3	16.3
Oper. Profit	10.6	9.5	9.5	10.7
Effective Tax Rate	35.9%	38.1%	38.1%	38.3%

(Continued)

Table 2: ConAgra Foods, Inc. - Quarterly Segment Results - Continuing Operations (millions) (a)

	F2010	F2009	F2008	F2007 Restated	F2007	F2006
Aug. - Net Sales:						
Consumer Foods	\$1,860.1	\$1,849.3	\$1,711.0	\$1,657.7	\$1,651.7	\$1,643.3
Commercial Foods	1,101.3	1,207.2	910.1	817.0	831.5	770.5
Total	\$2,961.4	\$3,056.5	\$2,621.1	\$2,474.7	\$2,483.2	\$2,413.8
	+1%	+8%	+3%	+3%	+1%	+1%
	(9)	+33	+11	+11	+8	+8
	(3)%	+17%	+6%	+6%	+3%	+3%
Operating Profit:						
Consumer Foods	\$249.9	\$175.0	\$186.8	\$220.5	\$219.7	\$183.7
Commercial Foods	140.8	128.9	120.6	104.4	106.3	96.4
Segment Total	\$390.7	\$303.9	\$307.4	\$324.9	\$326.0	\$280.1
General Corp. Expense	92.6	64.4	70.6	74.8	76.8	72.9
Company Total	\$298.1	\$239.5	\$236.8	\$250.1	\$249.2	\$207.2
	+43%	(6)%	(15)%	(15)%	+20%	+20%
	+9	+7	+16	+16	+10	+10
	+29	(1)	(5)	(5)	+16	+16
	+44	(9)	(6)	(6)	+5	+5
	+24%	+1%	(5)%	(5)%	+20%	+20%
Operating Margin:						
Consumer Foods	13.4%	9.5%	10.9%	13.3%	13.3%	11.2%
Commercial Foods	12.8	10.7	13.3	12.8	12.8	12.5
Segment Total	13.2	9.9	11.7	13.1	13.1	11.6
General Corp. Expense	(3.1)	(2.1)	(2.7)	(3.0)	(3.1)	(3.0)
Company Total	10.1%	7.8%	9.0%	10.1%	10.0%	8.6%
Nov. - Net Sales:						
Consumer Foods	\$2,042.8	\$1,956.2	\$1,907.1	\$1,907.1	\$1,905.7	\$1,908.1
Commercial Foods	1,221.5	995.0	869.5	869.5	885.7	805.3
Total	\$3,264.3	\$2,951.2	\$2,776.6	\$2,776.6	\$2,791.4	\$2,713.4
	+4%	+3%	+3%	+3%	+10%	+10%
	+23	+14	+14	+14	+10%	+10%
	+11%	+6%	+6%	+6%	+3%	+3%
Operating Profit:						
Consumer Foods	\$252.5	\$274.1	\$332.3	\$328.9	\$328.9	\$259.5
Commercial Foods	155.5	131.8	95.9	92.0	92.0	91.9
Segment Total	\$408.0	\$405.9	\$428.2	\$428.2	\$420.9	\$351.4
General Corp. Expense	63.4	126.0	86.6	86.6	94.6	84.1
Company Total	\$344.6	\$279.9	\$341.6	\$341.6	\$326.3	\$267.3
	(8)%	(18)%	(18)%	(18)%	+27%	+27%
	+18	+37	+37	+37	-	-
	+1	(5)	(5)	(5)	+20	+20
	(50)	+45	+45	+45	+12	+12
	+23%	(18)%	(18)%	(18)%	+22%	+22%
Operating Margin:						
Consumer Foods	12.4%	14.0%	17.4%	17.3%	17.3%	13.6%
Commercial Foods	12.7	13.2	11.0	10.4	10.4	11.4
Segment Total	12.5	13.8	15.4	15.1	15.1	13.0
General Corp. Expense	(1.9)	(4.3)	(3.1)	(3.4)	(3.4)	(3.1)
Company Total	10.6%	9.5%	12.3%	11.7%	11.7%	9.9%

(Continued)

Table 2: (Continued) (a)

	F2010	F2009	F2008	F2007 Restated	F2007	F2006
Feb. - Net Sales:						
Consumer Foods	\$2,013.9	+5%	\$1,921.1	+8%	\$1,773.2	(1)%
Commercial Foods	1,120.8	+8	1,034.2	+24	851.9	+8
Total	<u>\$3,134.7</u>	+6%	<u>\$2,955.3</u>	+13%	<u>\$2,625.1</u>	+2%
Operating Profit:						
Consumer Foods	\$244.7	+6%	\$232.3	(24)%	\$308.1	+12%
Commercial Foods	140.1	(3)	144.6	+33	109.3	+36
Segment Total	<u>\$384.8</u>	+2	<u>\$376.9</u>	(9)	<u>\$417.4</u>	+17
General Corp. Expense	103.0	+25	82.1	(9)	90.9	(7)
Company Total	<u>\$281.8</u>	(4)%	<u>\$294.8</u>	(10)%	<u>\$326.5</u>	+27%
Operating Margin:						
Consumer Foods	12.2%		12.1%		17.4%	15.4%
Commercial Foods	12.5		14.0		12.8	10.2
Segment Total	<u>12.3</u>		<u>12.8</u>		<u>15.9</u>	<u>13.8</u>
General Corp. Expense	(3.3)		(2.8)		(3.5)	(3.8)
Company Total	<u>9.0%</u>		<u>10.0%</u>		<u>12.4%</u>	<u>10.0%</u>
May - Net Sales:						
Consumer Foods	(b)	+14%	\$1,877.8	+6%	\$1,760.7	-
Commercial Foods	1,160.4	(2)	1,188.8	+32	912.6	+11%
Total	<u>\$3,298.0</u>	+8%	<u>\$3,066.6</u>	+15%	<u>\$2,673.3</u>	+3%
Operating Profit:						
Consumer Foods	\$270.5	+39%	\$194.1	(4)%	\$201.9	(23)%
Commercial Foods	155.2	+35	114.7	+9	105.0	+5
Segment Total	<u>\$425.7</u>	+38	<u>\$308.8</u>	+1	<u>\$306.9</u>	(15)
General Corp. Expense	104.5	(4)	108.8	(34)	169.0	+45
Company Total	<u>\$321.2</u>	+61%	<u>\$200.0</u>	+41%	<u>\$137.9</u>	(44)%
Operating Margin:						
Consumer Foods	12.7%		10.3%		11.5%	15.0%
Commercial Foods	13.4		9.6		11.5	12.2
Segment Total	<u>12.9</u>		<u>10.1</u>		<u>11.5</u>	<u>14.1</u>
General Corp. Expense	(3.2)		(3.6)		(6.3)	(4.5)
Company Total	<u>9.7%</u>		<u>6.5%</u>		<u>5.2%</u>	<u>9.6%</u>

(a) Continuing operations, excluding divested Trading and Merchandising operations. Excludes nonrecurring gains and charges.
(b) 14 weeks.

Table 3: ConAgra Foods, Inc. - Quarterly Sales Trends for Major Consumer Foods Brands

	F2010		F2009		F2008	
	Brands Growing	Brands Declining	Brands Growing	Brands Declining	Brands Growing	Brands Declining
August:	(a) Crunch 'n Munch Healthy Choice Hebrew National Hunt's Manwich Marie Callender's Orville Redenbacher's Reddi-wip Ro*Tel Rosarita Snack Pack Swiss Miss Wesson Wolf	ACT II Andy Capp Banquet Blue Bonnet Chef Boyardee Egg Beaters Kid Cuisine Libby's PAM Parkay Peter Pan Slim Jim	(b) Andy Capp Banquet Blue Bonnet Chef Boyardee Crunch 'n Munch DAVID Egg Beaters Hebrew National Hunt's Libby's Manwich Marie Callender's Orville Redenbacher's Reddi-wip Ro*Tel Rosarita Slim Jim Snack Pack Wesson	ACT II Parkay Swiss Miss Wolf	Banquet Blue Bonnet Chef Boyardee DAVID Egg Beaters Healthy Choice Hebrew National Hunt's Kid Cuisine Libby's Manwich Marie Callender's Orville Redenbacher's Reddi-wip Rosarita Ro*Tel Snack Pack Van Camp's Wesson	ACT II Crunch 'n Munch PAM Parkay Slim Jim Swiss Miss
November:	(c) Alexia Andy Capp Banquet Blue Bonnet Crunch 'n Munch DAVID Hebrew National Kid Cuisine Libby's Marie Callender's Orville Redenbacher's Parkay Peter Pan Ro*Tel Rosarita Slim Jim Snack Pack Swiss Miss Wesson Wolf	ACT II Chef Boyardee Egg Beaters Manwich PAM Reddi-wip	Alexia Andy Capp Banquet Blue Bonnet Crunch 'n Munch DAVID Hebrew National Kid Cuisine Libby's Marie Callender's Orville Redenbacher's Parkay Peter Pan Ro*Tel Rosarita Slim Jim Snack Pack Swiss Miss Wesson Wolf	ACT II Chef Boyardee Egg Beaters Manwich PAM Reddi-wip	Blue Bonnet Chef Boyardee Egg Beaters Healthy Choice Hebrew National Libby's Marie Callender's PAM Reddi-wip Rosarita Ro*Tel Slim Jim Snack Pack Wesson Wolf	ACT II Crunch 'n Munch DAVID Kid Cuisine Manwich Orville Redenbacher's Parkay Pemmican Swiss Miss

(Continued)

Table 3: (Continued)

	F2010		F2009		F2008	
	Brands Growing	Brands Declining	Brands Growing	Brands Declining	Brands Growing	Brands Declining
February:	(d) Alexia Andy Capp's Banquet Blue Bonnet Chef Boyardee Crunch 'n Munch DAVID Healthy Choice Hebrew National Hunt's Kid Cuisine Manwich Marie Callender's Orville Redenbacher's Parkay Reddi-wip Rosarita Ro*Tel Slim Jim Snack Pack Wesson Wolf		ACT II Egg Beaters PAM Peter Pan		ACT II Banquet Blue Bonnet Egg Beaters Healthy Choice Hebrew National Hunt's Libby's Manwich Marie Callender's Orville Redenbacher's PAM Rosarita Ro*Tel Slim Jim Swiss Miss Wesson	Chef Boyardee Crunch 'n Munch Kid Cuisine Parkay Penmican Reddi-wip Snack Pack Wolf
May:	(e) Alexia Andy Capp's Banquet Blue Bonnet Chef Boyardee Crunch 'n Munch DAVID Healthy Choice Hebrew National Hunt's Kid Cuisine Libby's Marie Callender's PAM Parkay Peter Pan Reddi-wip Rosarita Ro*Tel Slim Jim Snack Pack		Egg Beaters Swiss Miss Wesson Wolf		Andy Capp Blue Bonnet Chef Boyardee Crunch 'n Munch DAVID Egg Beaters Hebrew National Hunt's Libby's Manwich Orville Redenbacher's Rosarita Ro*Tel Snack Pack Wesson Wolf	ACT II Banquet Kid Cuisine Marie Callender's PAM Parkay Penmican Reddi-wip Slim Jim Swiss Miss

(a) Sales for DAVID were flat.

(b) Sales for Healthy Choice, Kid Cuisine and PAM were flat.

(d) Sales for Libby's and Swiss Miss were flat.

(e) Sales for Act II and Manwich were flat.

Table 4: Commodity Prices - Monthly Averages, 2006-2009 (a)

	Corn			Soybeans			Wheat			Milk						
	2009	2008	2007	2006	2009	2008	2007	2006	2009	2008	2007	2006				
January	\$3.60	\$4.52	\$3.65	\$1.96	\$9.59	\$11.95	\$6.59	\$5.57	\$6.28	\$9.60	\$5.21	\$4.48	\$10.58	\$18.92	\$13.44	\$13.36
February	3.48	4.94	3.94	2.06	9.14	13.43	7.26	5.67	6.03	11.77	5.37	4.64	10.16	18.04	14.32	12.52
March	3.62	5.13	3.75	2.03	8.96	12.76	7.21	5.51	6.01	11.85*	5.30	4.46	10.37	17.76	14.96	11.13
April	3.72	5.59	3.40	2.18	10.06	12.77	6.97	5.48	5.92	10.10	5.54	4.78	10.85	16.76	13.50	10.93
May	3.97	5.60	3.51	2.22	11.32	12.72	7.29	5.67	6.37	8.94	5.43	5.12	9.86	19.04	17.54	10.82
June	4.05*	6.66*	3.80	2.17	12.23*	14.90	7.77	5.58	6.45*	9.19	6.16	5.10	9.94	20.18*	20.11	11.29
July	3.26	6.10	3.08	2.22	10.84	15.12*	7.99	5.57	5.40	8.58	6.30	5.15	10.15	18.34	21.17*	11.00
August	3.18	5.22	3.07	2.08	11.07	12.93	7.73	5.25	4.86	8.63	6.63	4.88	11.13	17.46	19.86	11.01
September	3.09	5.01	3.17	2.20	9.87	11.45	8.79	5.15	4.42	7.49	8.18	5.11	12.10*	16.18	20.12	11.96
October		3.73	3.25	2.50		8.89	9.30	5.58		5.98	8.71	5.31		16.39	18.42	12.85
November		3.37	3.64	3.41		8.51	10.10	6.39		5.98	8.42	5.57*		15.41	19.19	12.80
December		3.35	4.07*	3.54*		8.43	11.14*	6.41*		5.80	9.49*	5.38		14.34	19.95	13.47*

(a) Corn - Central Illinois, Bushei; Soybeans - Central Illinois, Bushei; Wheat - Kansas City, Hard Red Winter, Bushei; Milk - Class III, CME Spot MO, Hundredweight.
 * Annual peak.

Source: Doane's Agricultural Report.

Table 5: Recommended Food Stocks

	FY	Price Sept. 28 2009	12-Mos. Range	Recovery from Low	Earnings Per Share (a)		P/E Cal. 2009E	Ind. Divid.	Yield	Latest Report
					2008	2009E				
Leading Packaged-Foods Companies										
ConAgra Foods (CAG)	May	\$21.7	23-14	+55%	\$1.11	\$1.51 A	13.3	\$0.80	3.7%	9/30/09
General Mills (GIS)	May	64	71-46	+39	3.58	3.95 A	15.2	1.88	2.9	6/16/09
Heinz (HNZ)	April	40	52-31	+29	2.63	2.90 A	14.3	1.68	4.2	8/26/09
Kraft Foods (KFT) (c)		26	34-21	+24	1.68	2.00	13.0	1.16	4.5	9/23/09
PepsiCo (PEP)		59	72-45	+31	3.68	3.88	15.2	1.80	3.1	8/5/09
Mid-Size Companies										
Del Monte Foods (DLM)	April	11.6	12- 5	+132	0.66	0.74 A	13.7	0.20	1.7	9/9/09
Smucker (SJM)	April	54	55-34	+59	3.15	3.77 A	13.5	1.40	2.6	7/10/09
TreeHouse Foods (THS)		36	38-20	+80	1.62	2.07	17.4	-	-	9/2/09
Food Distributors										
Sysco (SYY)	June	25	33-19	+32	1.82	1.85 A	13.0	0.96	3.8	8/12/09
United Natural Foods (UNFI)	July	24	28-13	+85	1.13	1.38 A	16.1	-	-	7/23/09
Average				+57%			14.5		3.3%(b)	
Dow Jones Industrials		9808	11168-6470	+52%						
S&P 500		1063	1216-667	+59%						

(a) Before nonrecurring gains or charges. (b) Excludes non-dividend paying companies. (c) Continuing operations. A - Actual.

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Analyst's Certification

I Robert J. Cummins certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other ConAgra Foods reports issued by me are: 1/23/06 (\$20.85) – Strong Buy – Target \$28-\$30; 3/21/06 (\$19.95) – Buy – Target \$22-\$23; 10/19/06 (\$25.70) – Buy – Target \$28-\$29; 1/9/07 (\$27.40) – Buy – Target \$31-\$32; 3/28/07 (\$24.60) – Strong Buy – Target \$31-\$32; 7/17/07 (\$27) – Strong Buy – Target \$31-\$32; 9/26/07 (\$25.50) – Strong Buy – Target \$31-\$32; 1/7/08 (\$23.15) – Strong Buy – Target \$29-\$30; 4/3/2008 (\$24.20) – Strong Buy – Target \$29-\$30; 7/16/08 (\$21) – Strong Buy – Target \$29-\$30; 10/2/08 (\$20) – Strong Buy – Target \$27-\$28; 10/7/08 (\$19.3) – Strong Buy – Target \$27-\$28; 1/9/09 (\$16.80) – Strong Buy – Target \$23-\$24; 5/6/09 (\$18.10) – Strong Buy – Target \$23-\$24.

Important Disclosures

Guide to Investment Ratings and Target Prices:

Strong Buy ("1"). The stock's total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.

Buy ("2"). The stock's total return is expected to exceed the average total return of the analyst's industry coverage universe over the next 12 months.

Hold (Neutral) ("3"). The stock's total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

Sell ("4"). The stock's total return is expected to be below the average total return of the analyst's industry coverage universe over the next 12 months.

Analyst's Ratings Distribution

		% Investment Banking
Buy*	63%	0%
Hold	37%	0%
Sell	0%	0%

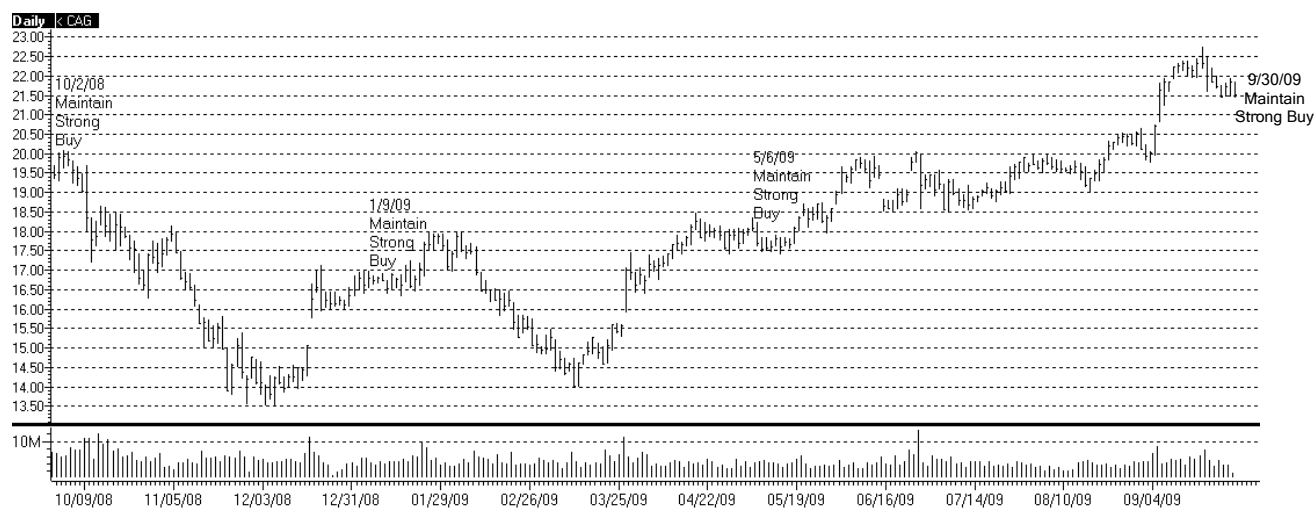
*Includes companies rated "Strong Buy" and "Buy."

Unless otherwise specified, the time frame for price targets included in this report is 12 months.

Our target prices are based on projected earnings for the following calendar year, and an assumed price/earnings ratio in line with the company's historical valuation or those of other companies with similar businesses and prospects.

The principal risks to the achievement of our price targets, in addition to general market trends, are disappointing earnings and a lower than expected price/earnings ratio.

Important Disclosures, continued



The analyst and his household members hold positions in the common shares of ConAgra Foods, Del Monte Foods, General Mills, H.J. Heinz, Kraft Foods, PepsiCo, J.M. Smucker, Sysco, TreeHouse Foods and United Natural Foods in various accounts.

Capital Management Associates holds positions in the common shares of ConAgra Foods, Del Monte Foods, General Mills, H.J. Heinz, Kraft Foods, PepsiCo, J.M. Smucker, Sysco, and TreeHouse Foods in managed accounts.

Neither Shields nor a director, officer or the research analyst has received any compensation for products or services from the subject company in the past 12 months.

Other Disclosures and Disclaimers

This research report and recommendations agree with the personal opinion of the analyst who prepared this report.

Any financial interest that the research analyst or member of the analyst's household or any other individual directly involved with the preparation of this report has in the subject company, has been disclosed in the Important Disclosures section.

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