



140 BROADWAY NEW YORK, NY 10005

ROBERT J. CUMMINS, CFA
(212) 651-0815

TRADING DESK
(212) 320-3001

DECEMBER 19, 2007

COMPANY SUMMARY

Wednesday, December 19, 2007

Speaker: Bob Cummins

Rating: Strong Buy

Food Industry Comment:

Del Monte Foods (DLM-\$8.80)

	<u>F2007</u>	<u>F2008E</u>	<u>F2009E</u>	<u>Dividend/ Yield</u>	<u>Shares Out. (mil.)</u>	<u>12-Mo. Range</u>	<u>12-Mo. Target</u>
EPS (a)	\$0.72	\$0.72	\$0.86	\$0.16	205.4	\$13-\$8	\$12-\$13
P/E	-	12.2x	10.2x	1.8%			

(a) April fiscal years. Excludes nonrecurring gains and charges.

Del Monte's share price reached a peak of \$12.94 in July, the highest since 1999, but then began to lose ground as the news of a margin squeeze in the July quarter made it clear that the April 2008 fiscal year would be a difficult one, as a result of escalating commodity costs. Investors seemingly threw in the towel in late November, when reported results for the October period showed a 22% decline in adjusted EPS, despite 5% higher sales, with both the Consumer Products and the Pet Products segments showing double-digit declines in operating income. The shares fell to \$8.38, their lowest price since May, 2003, soon after the Heinz spinoff, and 35% below their high of just four months before. We believe this has created an attractive buying opportunity.

It is no secret that the food industry in general is experiencing unprecedented cost inflation, which is expected to continue, and which all of the managements, like that of Del Monte, are dealing with through price increases and cost reduction initiatives. The particularly severe weakness in DLM's profits is attributable to the StarKist tuna division, whose costs like those of its competitors have escalated due to a shortage of fish, a situation that develops periodically, and that experts believe will eventually reverse. Meanwhile, we expect that the fruit and vegetable businesses will continue to perform well, and that profits in pet foods will rebound gradually. Clearly the company's recovery earning power is well above the present level. We might also note that DLM's position in the attractive pet food area (62% of profits), where it has

(Continued)

See page 10 for Analyst's Certification, pages 10-11 for Important Disclosures and pages 11-12 for Other Disclosures and Disclaimers

(Continued)

strong brands and is one of the industry leaders, with annual sales of \$1.4 billion and healthy double-digit profit margins, could make the company a potential takeover candidate if the share price remains depressed. We consider Del Monte Foods an attractive recovery play for venturesome investors, and are reemphasizing our "1" (Strong Buy) rating, although we are reducing our 12-month target price from \$14-\$15 to \$12-\$13 to be conservative.

The April 2008 fiscal year got off to a slow start in the July quarter, when earnings are typically at the seasonal low anyhow. Sales showed a healthy 12% increase, partly reflecting the impact of two prior-year pet food acquisitions, but operating income rose only 6%, as the profit margin narrowed by 40 basis points to a historically low 6.6% of sales. After an acquisition-related increase in interest expense and a higher tax rate, EPS declined 50% to only \$0.03, down from \$0.06 in the two prior years. Results in the more important October period brought home to investors the severity of the company's profit squeeze, as despite a 5% sales gain, operating income was down 17%, while the F2Q margin declined 240 bp to 9.1%, the lowest for this quarter since we have followed the company, despite the increased importance of the higher-margin pet food business. EPS fell 22% to \$0.14, down from \$0.18 in both F2007 and F2008.

The Consumer Products segment reported 5% sales growth for F2Q, but operating profits were down 13%, as the margin declined from 9.3% to 7.7%. However, management states that the traditional Del Monte fruit and vegetable businesses performed well, despite inflationary pressures, as the company has been taking selective price increases to cover costs. On the other hand, seafood sales were down, despite a gain in market share, and higher fish costs were the main factor in the Consumer segment's profit decline. Pet Products also showed 5% sales growth, and achieved higher market shares, but profits declined 23%, reflecting significant cost increases for grains, fats and oils, all key ingredients for the division. We also note that Pet Products faced a difficult comparison, as last year's operating margin was a healthy 19.4% of sales, a record high for F2Q, while the margin this year narrowed to a below-average 14.1%. DLM raised pet food prices earlier in F2007, and is evaluating further actions. Management notes that unlike some of its other businesses, the competition in pet foods tends to be rational, and it expects another round of price increases in the industry soon.

In addition to raising prices to cover rising costs and restore margins, DLM is also focusing on cost reductions. On the recent conference call, management emphasized its goal of achieving annualized cost savings of \$70 million by the end of F2008, in addition to \$40 million already scheduled as a result of its ongoing transformation plan. A specific example of cost benefits is the F2007 acquisition of the Meow Mix and Milk-Bone businesses, which have now been fully integrated with DLM's established pet food operations to create a single more efficient entity. A reconfiguration of plant operations has resulted in savings in manufacturing costs, as well as a significant reduction of miles driven, and thus lower distribution expense.

(Continued)

(Continued)

Management forecasts healthy sales growth of 5%-7% in F3Q (January). The Consumer segment is off to a strong start, and the seafood business should benefit from a return to more normal promotional activity. Consumer profits for the quarter are expected to show a healthy year-to-year increase, with the help of a gain on an asset sale in the Eastern Hemisphere. Profits in Pet Products will continue to be challenged by cost pressures, although sales are expected to be up. EPS for the quarter, before transformation expenses, are estimated at \$0.25-\$0.29 (including \$0.03 from the asset sale), compared with \$0.26 last year.

Earnings for the year ending April 2008 are now estimated by management at \$0.72-\$0.76, down from a previous \$0.78-\$0.82. That implies F4Q EPS of \$0.30, compared with \$0.22, after an unusually low tax rate, a year ago. Time will tell whether that expectation is realistic. A \$0.30 quarter would be DLM's strongest for any quarter since the April 2004 period, when it earned \$0.32 with the help of an extra 14th week, versus the normal 13.

Del Monte's purchase of Meow Mix in May, 2006, and Milk-Bone in July, 2006, increased annual pet food sales by 50%. It also added considerably to debt, and thus to interest expense, which in the October 2007 quarter was \$41.0 million, 79% higher than the \$22.9 million in the same period two years ago. Nevertheless, the company continues to generate excess cash. Net income and noncash charges of \$98.4 million in the first half of F2008 exceeded capital expenditures and dividends by \$37.0 million, or \$0.18 per share. That compared with \$102.1 million, \$52.0 million, and \$0.26 a year ago. Cash generation should increase in the second half, when earnings tend to be seasonally higher. Taking advantage of its depressed (and now even more depressed) stock, the company on September 28th announced plans to spend up to \$200 million on share repurchases over the next 36 months. It began buying shares in mid-October, and by the end of the month had purchased 238,000 shares for \$2.5 million, indicating an average cost of about \$10.50 per share. Based on the current low price, we calculate that the company could reduce its share count by 11% over the 36-month period.

Table 1: Del Monte Foods Company - Quarterly Data (millions except EPS) (a)

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2006	F2005	F2004
July						
Net Sales	\$753.5	\$674.1	\$616.6	\$671.1	\$626.0	\$611.3
Cost of Products Sold	568.0	505.1	466.7	509.3	476.3	455.5
Gross Profit	185.5	169.1	149.9	161.8	149.7	155.8
SG&A Expenses	135.5	122.1	108.1	114.4	100.6	97.3
Operating Income	50.0	47.4	41.8	47.4	49.1	58.5
Interest Expense	38.0	30.5	21.2	21.2	24.6	30.0
Other Expense (Income)	0.6	0.3	-	-	2.0	0.8
Total	38.6	30.8	21.2	21.2	26.6	30.8
Income Before Taxes	11.4	16.2	20.6	26.2	22.5	27.7
Income Taxes	4.4	4.3	7.8	9.9	8.6	9.8
Net Income	\$7.0	\$11.9	\$12.8	\$16.3	\$13.9	\$17.9
Diluted Shares	205.7	204.0	210.5	210.5	211.9	210.6
Earnings Per Share	\$0.03	\$0.06	\$0.06	\$0.08	\$0.06	\$0.09
Gross Margin	24.6%	25.1%	24.3%	24.1%	23.9%	25.5%
SG&A/Sales	18.0	18.1	17.5	17.0	16.1	15.8
Operating Margin	6.6	7.0	6.8	7.1	7.8	9.7
Effective Tax Rate	38.6%	26.7%	37.9%	37.8%	38.2%	35.4%
October						
Net Sales	\$938.1	\$893.5	\$793.2	\$882.3	\$846.6	\$791.6
Cost of Products Sold	703.8	644.9	580.6	650.8	622.8	578.0
Gross Profit	234.3	248.6	212.6	231.5	223.8	213.6
SG&A Expenses	149.4	146.2	129.0	139.1	125.9	114.4
Operating Income	84.9	102.4	83.6	92.4	97.9	99.2
Interest Expense	41.0	42.9	22.9	22.9	25.9	30.9
Other Expense (Income)	(1.7)	0.1	1.1	1.1	0.5	(2.4)
Total	39.3	43.0	24.0	24.0	26.4	28.5
Income Before Taxes	45.6	59.4	59.6	68.4	71.5	70.7
Income Taxes	16.9	22.8	22.3	25.7	27.1	25.0
Net Income	\$28.7	\$36.6	\$37.3	\$42.7	\$44.4	\$45.7
Diluted Shares	205.4	203.5	202.2	202.2	212.1	210.6
Earnings Per Share	\$0.14	\$0.18	\$0.18	\$0.21	\$0.21	\$0.21
Gross Margin	25.0%	27.8%	26.8%	26.2%	26.4%	27.0%
SG&A/Sales	15.9	16.4	16.3	15.7	14.8	14.5
Operating Margin	9.1	11.5	10.5	10.5	11.6	12.5
Effective Tax Rate	37.1%	38.4%	37.4%	37.6%	37.9%	35.4%

(Continued)

Table 1: Continued (a)

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2006	F2005	F2004
January						
Net Sales		\$907.2	+15%	\$789.6	\$861.3	\$811.1
Cost of Products Sold		649.1		571.3	629.1	582.6
Gross Profit		258.1	+18	218.3	232.2	228.5
SG&A Expenses		135.4		125.8	124.5	106.2
Operating Income		122.7	+33	92.5	107.7	122.3
Interest Expense		42.2		22.7	25.9	31.4
Other Expense (Income)		(0.6)		(0.1)	0.1	(0.5)
Total		41.6		22.6	26.0	30.9
Income Before Taxes		81.1	+16	69.9	81.7	91.4
Income Taxes		28.0		24.7	31.1	34.6
Net Income		\$53.1	+17%	\$45.2	\$50.6	\$56.8
Diluted Shares		204.4	+1%	201.9	212.7	211.5
Earnings Per Share	\$0.25E	\$0.26	+18	\$0.22	\$0.24	\$0.27
Gross Margin		28.5%		27.6%	27.0%	28.2%
SG&A/Sales		15.0		15.9	14.5	13.1
Operating Margin		13.5		11.7	12.5	15.1
Effective Tax Rate		34.5%		35.3%	38.0%	37.9%
April						(b)
Net Sales		\$940.1	+18%	\$799.2	\$847.1	\$915.9
Cost of Products Sold		697.1		595.3	646.1	663.1
Gross Profit		243.0	+19	203.9	200.9	252.8
SG&A Expenses		142.4		117.0	102.3	109.8
Operating Income		100.6	+16	86.9	98.6	143.0
Interest Expense		39.0		21.4	21.0	36.7
Other Expense (Income)		0.6		0.1	0.2	0.4
Total		39.6		21.5	21.2	37.1
Income Before Taxes		61.0	(7)	65.4	77.4	105.9
Income Taxes		15.9		23.7	28.0	37.8
Net Income		\$45.1	+8%	\$41.7	\$49.4	\$68.1
Diluted Shares		205.0	+1%	202.9	212.9	212.0
Earnings Per Share	\$0.30E	\$0.22	+5	\$0.21	\$0.23	\$0.32
Gross Margin		25.8%		25.5%	23.7%	27.6%
SG&A/Sales		15.1		14.6	12.1	12.0
Operating Margin		10.7		10.9	11.6	15.6
Effective Tax Rate		26.1%		36.2%	36.2%	35.7%

(a) Excludes nonrecurring gains and charges.

(b) 14 weeks. (c) Continuing operations. Reflects sale of soup and infant feeding businesses.

(d) Includes acquisitions of Meow Mix from May 19 and Milk-Bone from July 2, 2006. July quarter excludes \$10 million pretax gain on divestiture.

E - Implied low end of management guidance.

Table 2: Del Monte Foods Company - Quarterly Segment Data (millions) (a)

	July		F2008		F2007 (d)		F2006		F2005		F2004	
Net Sales:												
Consumer Products	\$444.6	+6%	\$420.6	-	\$422.2		\$476.7	+7%	\$447.0	-	\$449.1	
Pet Products	308.9	+22	253.5	+30%	194.4		194.4	+9	179.0	+10%	162.2	
Total	\$753.5	+12%	\$674.1	+9%	\$616.6		\$671.1	+7%	\$626.0	+2%	\$611.3	
Operating Income:												
Consumer Products	\$14.2	(10)%	\$15.8	(47)%	\$30.0		\$34.9	(11)%	\$39.4	+5%	\$37.4	
Pet Products	47.8	+10	43.5	+91	22.8		23.5	+36	17.3	(37)	27.3	
Total	62.0	+5	59.3	+12	52.8		58.4	+3	56.7	(12)	64.7	
Corporate	(12.0)	-	(12.3)	-	(11.0)		(11.0)	-	(7.6)	-	(6.2)	
Total Income	\$50.0	+6%	\$47.0	+12%	\$41.8		\$47.4	(3)%	\$49.1	(16)%	\$58.5	
Operating Margin:												
Consumer Products	3.2%		3.8%		7.1%		7.3%		8.8%		8.3%	
Pet Products	15.5		17.2		11.7		12.1		9.7		16.8	
Total	8.2		8.8		8.6		8.7		9.1		10.6	
Corporate	(1.6)%		(1.8)		(1.8)		(1.6)		(1.3)		(1.0)	
Total Income	6.6%		7.0%		6.8%		7.1%		7.8%		9.6%	
October												
Net Sales:												
Consumer Products	\$593.5	+5%	\$566.5	(3)%	\$584.4		\$673.5	+7%	\$629.1	+5%	\$599.4	
Pet Products	344.6	+5	327.0	+57	208.8		208.8	(4)	217.5	+13	192.2	
Total	\$938.1	+5%	\$893.5	+13%	\$793.2		\$882.3	+4%	\$846.6	+7%	\$791.6	
Operating Income:												
Consumer Products	\$45.8	(13)%	\$52.6	(17)%	\$63.7		\$71.7	(7)%	\$76.7	+7%	\$71.8	
Pet Products	48.7	(23)	63.4	+95	32.5		33.3	-	33.2	(8)	36.4	
Total	94.5	(19)	116.0	+21	96.2		105.0	(4)	109.9	+2	108.2	
Corporate	(9.6)	-	(13.6)	-	(12.6)		(12.6)	-	(12.0)	-	(9.0)	
Total Income	\$84.9	(17)%	\$102.4	+22%	\$83.6		\$92.4	(6)%	\$97.9	(1)%	\$99.2	
Operating Margin:												
Consumer Products	7.7%		9.3%		10.9%		10.6%		12.2%		12.0%	
Pet Products	14.1		19.4		15.6		15.9		15.3		18.9	
Total	10.1		13.0		12.1		11.9		13.0		13.7	
Corporate	(1.0)		(1.5)		(1.6)		(1.4)		(1.4)		(1.2)	
Total Income	9.1%		11.5%		10.5%		10.5%		11.6%		12.5%	

(Continued)

Table 2: Continued (a)

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2006	F2005	F2004
January						
Net Sales:						
Consumer Products	\$551.0	(2)%	\$562.3	\$651.2	+2%	\$608.8
Pet Products	356.2	+57	227.3	227.3	+2	202.3
Total	\$907.2	+15%	\$789.6	\$878.5	+2%	\$811.1
Operating Income:						
Consumer Products	\$54.3	(9)%	\$59.6	\$70.2	(5)%	\$83.6
Pet Products	82.3	+81	45.4	46.3	+13	45.2
Total	136.6	+30	105.0	116.5	+1	128.8
Corporate	(13.9)	-	(12.5)	(12.5)	-	(6.5)
Total Income	\$122.7	+33%	\$92.5	\$104.0	(3)%	\$122.3
Operating Margin:						
Consumer Products	9.9%		10.6%	10.8%		13.7%
Pet Products	23.1		20.0	20.4		22.3
Total	15.1		13.3	13.3		15.9
Corporate	(1.5)		(1.6)	(1.5)		(0.8)
Total Income	13.5%		11.7%	11.8%		15.1%
April						
Net Sales:						
Consumer Products	\$594.9	+4%	\$573.4	225.8	+2	(b)
Pet Products	345.2	+53	225.8	220.4	(5)	\$683.4
Total	\$940.1	+18%	\$799.2	\$847.0	(8)%	\$915.9
Operating Income:						
Consumer Products	\$42.3	(28)%	\$59.1	41.1	(16)	\$92.4
Pet Products	72.1	+75	41.1	48.9	(17)	59.1
Total	114.4	+14	100.2	111.0	(27)	151.5
Corporate	(13.8)	-	(13.3)	(12.4)	-	(8.5)
Total Income	\$100.6	+16%	\$86.9	\$98.6	(31)%	\$143.0
Operating Margin:						
Consumer Products	7.1%		10.3%	18.2	9.9%	13.5%
Pet Products	20.9		18.2	22.2	22.2	25.4
Total	12.2		12.5	13.1	13.1	16.5
Corporate	(1.5)		(1.6)	(1.5)	(1.5)	(0.9)
Total Income	10.7%		10.9%	11.6%	11.6%	15.6%

(a) Pro forma for Heinz acquisition. Excludes nonrecurring items. (b) 14 weeks.

(c) Continuing operations. Reflects sale of soup and infant feeding businesses.

(d) Includes acquisitions of Meow Mix from May 19 and Milk-Bone from July 2, 2006. July quarter excludes \$10 million pretax gain on divestiture.

Table 3: Del Monte Foods Company - Quarterly Operating Profit Margins

	F2008	F2007	F2006 Cont. Ops. (a)	F2006	F2005	F2004 Cont. Ops.	F2004	F2003	F2002	F2001
July										
Consumer Products	3.2%	3.8% (b)	7.1%	7.3%	8.8%	8.3%	8.3%	12.6%	15.2%	-
Pet Products	15.5	17.2	11.7	12.1	9.7	16.8	16.0	18.0	16.5	-
Total	8.2	8.8	8.6	8.7	9.1	10.6	10.5	14.1	15.6	17.0%
Corporate	(1.6)	(1.8)	(1.8)	(1.6)	(1.3)	(1.0)	(0.9)	(0.8)	(0.7)	(0.7)
Total	6.6%	7.0%	6.8%	7.1%	7.8%	9.6%	9.6%	13.3%	14.9%	16.3%
October										
Consumer Products	7.7%	9.3%	10.9%	10.6%	12.2%	12.0%	11.9%	10.3%	9.5%	-
Pet Products	14.1	19.4	15.6	15.9	15.2	19.0	16.4	20.2	19.0	-
Total	10.1	13.0	12.1	11.9	13.0	13.7	13.1	13.1	12.4	15.9%
Corporate	(1.0)	(1.5)	(1.6)	(1.4)	(1.4)	(1.2)	(0.9)	(0.9)	(1.1)	(0.6)
Total	9.1%	11.5%	10.5%	10.5%	11.6%	12.5%	12.2%	12.2%	11.3%	15.3%
January										
Consumer Products		9.9%	10.6%	10.8%	11.6%	13.7%	13.7%	12.7%	12.6%	-
Pet Products		23.1	20.0	20.4	18.4	22.3	21.1	21.1	17.4	-
Total		15.1	13.3	13.3	13.4	15.9	14.9	14.9	13.9	15.0%
Corporate		(1.5)	(1.6)	(1.5)	(0.9)	(0.8)	(0.4)	(0.4)	(0.9)	(0.6)
Total		13.5%	11.7%	11.8%	12.5%	15.1%	14.5%	14.5%	13.0%	14.4%
April										
Consumer Products		7.1%	10.3%		9.9%	13.5%		10.8%	9.2%	
Pet Products		20.9	18.2		22.2	25.4		19.5	19.8	
Total		12.2	12.5		13.1	16.5		13.1	12.4	
Corporate		(1.5)	(1.6)		(1.5)	(0.9)		(0.2)	(0.8)	
Total		10.7%	10.9%		11.6%	15.6%		12.9%	11.6%	

(a) Reflects divestiture of soup and infant feeding businesses. (b) Includes acquisitions of Meow Mix on May 19 and Milk-Bone on July 2. July quarter excludes \$10 million pretax gain on divestiture.

Table 4: Del Monte Foods Company - Annual Income Statements (a)

	F2007 (b)		F2006		F2005 (c)		F2005		F2004 (d)	
Net Sales	\$3,414.9	+14%	\$2,998.6	+3%	\$2,899.3		\$3,180.9	+2%	\$3,129.9	
Cost of Products Sold	2,500.8		2,213.9		2,155.5		2,378.6		2,281.3	
Gross Profit	914.1	+16	784.7	+5	743.8		802.3	(5)	848.6	
SG&A Expenses	539.8		479.9		419.5		448.4		425.6	
Operating Income	374.3	+23	304.8	(6)	324.3		353.9	(16)	423.0	
Interest Expense	154.6		88.2		97.4		97.4		129.0	
Other Expense (Income)	0.4		1.1		2.8		2.8		(1.7)	
Total	155.0		89.3		100.2		100.2		127.3	
Income Before Taxes	219.3	+2	215.5	(4)	224.1		253.7	(14)	295.7	
Income Taxes	71.5		78.5		83.8		94.4		107.9	
Net Income	\$147.8	+8%	\$137.0	(3)%	\$140.3		\$159.3	(15)%	\$187.8	
Diluted Shares	203.8	-	204.2	(4)%	212.4		212.4	+1%	211.2	
Earnings Per Share	\$0.72	+7%	\$0.67	+2	\$0.66		\$0.75	(16)	\$0.89	
% of Sales:										
Gross Profit	26.8%		26.2%		25.7%		25.2%		27.1%	
SG&A Expense	15.8		16.0		14.5		14.1		13.6	
Operating Income	11.0		10.2		11.2		11.1		13.5	
Effective Tax Rate	32.6%		36.4%		37.4%		37.2%		36.5%	

(a) April fiscal years. Millions except EPS. Excludes nonrecurring gains and charges.

(b) Includes acquisitions of Meow Mix on May 19 and Milk-Bone on July 2. Excludes \$10 million pretax gain on divestiture.

(c) Continuing operations. Reflects sale of soup and infant feeding businesses.

(d) 53 weeks. EPS based on 52 weeks estimated at \$0.87.

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 Del Monte Foods reports issued by me are: 3/4/05 (\$11) – Strong Buy – Target \$13-\$14; 7/20/05 (\$11.20) – Strong Buy – Target \$13-\$14; 9/29/05 (\$10.70) – Strong Buy – Target \$13-\$14; 12/7/05 (\$10.20) – Strong Buy – Target \$13-\$14; 1/12/06 (\$10.4) – Strong Buy – Target \$13-\$14; 3/30/06 (\$11.90) – Strong Buy – Target \$14-\$15; 6/15/06 (\$11.30) – Strong Buy – Target \$14-\$15; 7/26/06 (\$10.50) – Strong Buy – Target \$14-\$15; 9/15/06 (\$10.20) – Strong Buy – Target \$14-\$15, 12/7/06 (\$11.25) – Strong Buy – Target \$14-\$15; 3/19/07 (\$11.15) – Strong Buy – Target \$14-\$15; 6/27/07 (\$12) – Strong Buy – Target \$15-\$16; 9/5/07 (\$10.60) – Strong Buy – Target \$14-\$15.

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*	71%	0%
Hold	29%	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 the subject company in various accounts.

Capital Management Associates holds positions in the common shares of the subject company 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.

Investing is a risky activity and can lead to substantial losses. This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Shields & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Other Disclosures and Disclaimers, continued

This report is not an offer to buy or sell any security or to participate in any trading strategy. Shields & Company and/or its employees not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Shields & Company or associated persons. The firm does not make a market in the shares of the companies mentioned, has no relationship with them, and has not received any compensation from them.

Shields & Company makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by Shields & Company and its research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas.

Shields & Company research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses from such visits.