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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 16, 2010

TREEHOUSE FOODS, INC.

(Exact Name of Registrant as Specified in Charter)

Commission File Number: 001-32504

Delaware	20-2311383
(State or Other Jurisdiction of Incorporation)	(IRS Employer Identification No.)
Two Westbrook Corporate Center Suite 1070 Westchester, IL	60154
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number, including area code: (708) 483-1300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events

TreeHouse Foods, Inc. (the “Company”) is filing this Current Report on Form 8-K in order to provide certain supplemental financial information regarding Sturm Foods, Inc. (“Sturm”) and certain pro forma financial information regarding the Company. The pro forma financial information gives effect to the Company’s proposed acquisition of Sturm pursuant to the previously announced Stock Purchase Agreement dated as of December 20, 2009. The Company’s proposed acquisition of Sturm has not been consummated and remains subject to certain customary closing conditions.

The exhibits listed under Item 9.01 below relate to the Registration Statement on Form S-3 filed by the Company with the Securities and Exchange Commission (the “SEC”) on February 16, 2009, and are filed herewith for incorporation by reference in the Registration Statement.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Grant Thornton LLP, independent certified public accountants for Sturm.
99.1	Sturm Foods, Inc. audited balance sheets as of March 31, 2009 and 2008, and the related statements of income, stockholders’ deficit and cash flows for the years then ended.
99.2	Sturm Foods, Inc. unaudited balance sheets as of March 31, 2009 and December 31, 2009, and the statements of income and cash flows for the nine-month periods ended December 31, 2009 and December 31, 2008.
99.3	TreeHouse Foods, Inc. unaudited pro forma condensed combined balance sheet as of December 31, 2009 and unaudited pro forma condensed combined income statement for the year ended December 31, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TreeHouse Foods, Inc.

Date: February 16, 2010

By: /s/ Thomas E. O'Neill

Thomas E. O'Neill
General Counsel, Senior Vice President, Chief Administrative Officer and officer duly authorized to sign on behalf of the registrant

INDEX TO EXHIBITS

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Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

We have issued our report dated June 18, 2009, with respect to the financial statements of Sturm Foods, Inc. for the years ended March 31, 2009 and 2008, included as exhibits in the Current Report on Form 8-K of TreeHouse Foods, Inc. as filed on February 16, 2010. We hereby consent to the incorporation by reference of said report in the Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on February 16, 2010 and to the use of our name as it appears under the caption "Experts" in the Prospectus Supplement dated February 16, 2010, which forms a part of the Registration Statement.

/s/ GRANT THORNTON LLP
Appleton, Wisconsin
February 16, 2010

Exhibit 99.1

Financial Statements and Report of Independent Certified Public Accountants

Sturm Foods, Inc.

March 31, 2009 and 2008

Contents

Report of Independent Certified Public Accountants

Board of Directors
Sturm Foods, Inc.

We have audited the accompanying balance sheets of Sturm Foods, Inc. as of March 31, 2009 and 2008, and the related statements of income, stockholders' deficit and cash flows for the years then ended. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sturm Foods, Inc. as of March 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP
Appleton, Wisconsin
June 18, 2009

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STURM FOODS, INC.
BALANCE SHEETS
March 31,

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 27,720,983	$ 23,821,854
Accounts receivable, less allowance for doubtful accounts, sales returns and cash discounts of $658,033 and $593,750 at March 31, 2009 and 2008	36,773,465	30,062,428
Inventories	43,915,526	33,087,566
Other current assets	1,510,385	776,470
Deferred income taxes	1,028,767	577,081
Total current assets	110,949,126	88,325,399
PROPERTY, PLANT AND EQUIPMENT		
Land	1,422,643	1,422,643
Land improvements	1,886,343	1,839,773
Buildings	34,529,765	34,418,251
Machinery and equipment	72,447,008	70,115,136
Office equipment	3,660,515	2,698,598
Vehicles	658,870	485,159
Equipment under capital leases	389,988	280,207
Construction in progress	3,693,978	1,119,142
	118,689,110	112,378,909
Less accumulated depreciation	(46,036,234)	(37,634,691)
Net property, plant and equipment	72,652,876	74,744,218
OTHER ASSETS		
Intangible assets	12,490,402	—
Deferred financing costs, net of accumulated amortization of $2,643,728 and $1,423,546 at March 31, 2009 and 2008	6,058,697	7,278,879
	$202,151,101	$170,348,496

The accompanying notes are an integral part of these statements.

	2009	2008
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 3,900,000	$ 3,900,000
Current maturities of capital lease obligations	77,998	48,029
Accounts payable	25,971,377	18,939,384
Accrued profit sharing	4,102,854	1,591,598
Accrued interest	6,380,412	6,522,534
Accrued taxes	1,381,127	2,101,350
Accrued salaries, vacation, bonus	3,221,484	1,161,349
Accrued brokerage & customer promotions	2,276,143	470,127
Other accrued expenses	3,820,176	2,799,182
Total current liabilities	51,131,571	37,533,553
ACCRUED POSTRETIREMENT HEALTH AND BENEFIT OBLIGATION	797,112	700,277
DEFERRED INCOME TAXES	2,229,779	455,802
LONG-TERM DEBT, less current maturities	528,300,000	532,200,000
CAPITAL LEASE OBLIGATIONS, less current maturities	265,127	—
INTEREST RATE SWAP	10,440,720	12,206,738
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock	1,842,428	1,841,868
Additional paid-in capital (APIC)	18,220,154	17,250,385
Accumulated other comprehensive income	263,832	256,715
Accumulated deficit	(411,339,622)	(432,096,842)
	(391,013,208)	(412,747,874)
	$ 202,151,101	$ 170,348,496

STURM FOODS, INC.
STATEMENTS OF INCOME
Years ended March 31,

	2009	2008
Net sales	$330,817,003	$295,305,593
Cost of sales (includes $46,564 and $24,887 of stock based compensation for the years ended March 31, 2009 and 2008)	231,070,429	202,754,186
Gross profit	99,746,574	92,551,407
Operating expenses		
General and administrative (includes $918,165 and $73,453 of stock based compensation for the years ended March 31, 2009 and 2008)	17,484,725	14,520,224
Selling and marketing	9,670,196	10,426,783
Transaction costs	1,128,402	2,522,784
	28,283,323	27,469,791
Operating income	71,463,251	65,081,616
Other expense		
Interest expense, net	37,432,309	56,753,011
Amortization of deferred financing costs	1,220,182	1,220,182
Other expense, net	114,610	27,672
	38,767,101	58,000,865
Income before provision for income taxes	32,696,150	7,080,751
Provision for income taxes	11,938,930	2,298,485
NET INCOME	$ 20,757,220	$ 4,782,266

The accompanying notes are an integral part of these statements.

STURM FOODS, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
Years ended March 31, 2009 and 2008

	Common stock			Accumulated other comprehensive income	Accumulated deficit	Total
	Issued shares	Amount	APIC			
Balance, April 1, 2007	184,186,702	$1,841,868	$16,977,969	$ —	$(436,705,032)	$(417,885,195)
Stock based compensation	—	—	98,340	—	—	98,340
Recapitalize equity accounts	—	—	174,076	—	(174,076)	—
Adjustments to initially adopt SFAS 158 (net of tax of $171,144)						
Prior service credit	—	—	—	53,556	—	53,556
Net gains	—	—	—	203,159	—	203,159
Net income	—	—	—	—	4,782,266	4,782,266
Balance, March 31, 2008	184,186,702	1,841,868	17,250,385	256,715	(432,096,842)	(412,747,874)
Stock based compensation	—	—	964,729	—	—	964,729
Exercise of stock options	56,000	560	5,040	—	—	5,600
Net actuarial gains on defined benefit plan (net of tax of $4,744)	—	—	—	7,117	—	7,117
Net income	—	—	—	—	20,757,220	20,757,220
Balance, March 31, 2009	184,242,702	$1,842,428	$18,220,154	$ 263,832	$(411,339,622)	$(391,013,208)

The accompanying notes are an integral part of these statements.

STURM FOODS, INC.
STATEMENTS OF CASH FLOWS
Years ended March 31,

	2009	2008
Cash flows from operating activities:		
Net income	$ 20,757,220	$ 4,782,266
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	8,693,916	6,247,368
Amortization	1,220,182	1,220,182
Interest rate swap	(1,766,018)	12,441,492
Stock based compensation	964,729	98,340
Deferred income taxes	1,322,291	(3,515,211)
Gain on sale of property, plant and equipment	(570)	—
Change in operating assets and liabilities resulting in an increase (decrease) of cash and cash equivalents, net of effects of acquisition		
Accounts receivable	(6,711,037)	(6,203,811)
Inventories	(9,147,874)	2,291,434
Other current assets	(733,915)	315,335
Income tax refund receivable	—	219,000
Accrued postretirement health and benefit obligation	103,952	34,801
Accounts payable	7,031,993	8,543,645
Accrued profit sharing	2,511,256	(581,455)
Accrued interest	(142,122)	(1,143,542)
Other accrued expenses	2,916,922	(1,946,973)
Net cash and cash equivalents provided by operating activities	27,020,925	22,802,871
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,338,016)	(21,444,345)
Proceeds from sale of property, plant and equipment	126,000	—
Acquisition of McCann’s	(12,920,488)	—
Net cash and cash equivalents used in investing activities	(19,132,504)	(21,444,345)

STURM FOODS, INC.
STATEMENTS OF CASH FLOWS — CONTINUED
Years ended March 31,

	2009	2008
Cash flows from financing activities:		
Payments on long-term debt	$ (3,900,000)	$ (3,900,000)
Payments on capital lease obligations	(94,892)	(55,892)
Proceeds from issuance of common stock	5,600	—
Net cash and cash equivalents used in financing activities	(3,989,292)	(3,955,892)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,899,129	(2,597,366)
Cash and cash equivalents, beginning of year	23,821,854	26,419,220
Cash and cash equivalents, end of year	$27,720,983	$23,821,854
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$39,585,019	$45,977,301
Income taxes	$11,439,965	$ 3,592,287

Non-cash operating and financing activities:

During fiscal year 2009, the Company acquired machinery and equipment through a capital lease payable of $389,988.

As discussed in Note F, the Company adopted SFAS 158 on March 31, 2008 and accordingly decreased the long-term benefit obligation by $427,859 and increased deferred tax liabilities by $171,144 and comprehensive income by $256,715.

The accompanying notes are an integral part of these statements.

STURM FOODS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009 and 2008

NOTE A — NATURE OF OPERATIONS

Sturm Foods, Inc. (the "Company") is a processor and packager of store brand and branded sugar and sugar free drink mixes, various hot cereal products, non-fat dry milk, hot cocoa mixes and other dry products for distribution throughout the United States and Canada. The manufacturing facilities and corporate office of the Company are located in Manawa, Wisconsin.

The Company's primary customers are large retail grocery and mass merchant stores. For the years ended March 31, 2009 and 2008, the largest two customers totaled 52% and 57% of net sales. The Company's top ten customers account for approximately 74% and 77% of the Company's net sales for the years ended March 31, 2009 and 2008.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

These financial statements include the accounts of the Company prepared in accordance with accounting principles generally accepted in the United States of America.

2. Acquisition

In September 2008, the Company acquired the McCann Irish Oatmeal (McCann) product line for $12,920,488, including acquisition costs of $481,802. The Company acquired McCann's to strengthen the Company's oatmeal product offering. The acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards (SFAS) No. 141 *Business Combinations.* The purchase price was allocated as follows:

Inventory	$ 1,680,086
Tradename	12,490,402
Commission settlement liability	(1,250,000)
	$12,920,488

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the date of acquisition. Cash equivalents are stated at cost which approximates fair market value. The Company maintains its cash balances at one financial institution and is secured by the Federal Deposit Insurance Corporation up to federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

5. Accounts Receivable

The majority of the Company’s accounts receivable are due from regional and national retail customers. Credit is extended based on an evaluation of customers’ financial conditions. The allowance for doubtful accounts represents estimates of amounts considered uncollectible and is determined on an account-by-account basis. Payments subsequently received on accounts written off are credited to bad debt expense. Expense for such uncollectible amounts was $24,323 and $1,166 for the years ended March 31, 2009 and 2008.

6. Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Inventory costs include material, labor and factory overhead. The Company has recorded a reserve for obsolete and excess inventories.

Inventories consist of the following at March 31:

	2009	2008
Raw materials	$ 8,338,518	$ 4,724,113
Work-in-process	10,241,055	8,246,873
Finished goods	16,822,218	14,506,068
Packaging supplies	9,545,228	6,563,200
	44,947,019	34,040,254
Less inventory reserve	(1,031,493)	(952,688)
	$43,915,526	$33,087,566

7. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Maintenance and repair costs are charged to expense as incurred. Improvements and betterments that substantially increase the value or extend the useful life of the asset are capitalized at cost. The Company capitalizes interest expense incurred on long-term construction type projects in accordance with SFAS No. 34 *Capitalization of Interest Costs*. Interest capitalized approximated $68,000 and $368,000 for the years ended March 31, 2009 and 2008, respectively.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the asset’s estimated useful life. Accelerated methods are used for income tax purposes. The following estimated lives are used in calculating depreciation:

	Years
Land improvements	15-20
Buildings	15-40
Machinery and equipment (includes equipment under capital lease)	5-15
Office equipment	2-5
Vehicles	3-7

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

7. Property, Plant and Equipment — continued

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amounts of the assets exceed their respective fair values.

8. Intangible Assets

The Company accounts for intangible assets in accordance with SFAS No. 142 *Goodwill and Other Intangible Assets* (SFAS 142). Intangible assets, which are comprised of tradenames acquired in the McCann acquisition, are considered indefinite-lived intangible assets and are not subject to amortization. SFAS 142 requires that the indefinite-lived intangible assets be tested for impairment at least annually, or more often if warranted by events and changes in circumstances indicating that the carrying value may exceed its fair value, and written down to fair value if impaired. The Company has determined that no impairment exists as of March 31, 2009.

9. Fair Value of Financial Instruments

Cash and cash equivalents and accounts receivable are financial instruments with carrying values that approximate fair value. Accounts payable, accrued liabilities, interest rate swap and long-term debt are financial instruments with carrying values that approximate fair value. Interest rates currently available for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

10. Deferred Financing Costs

The Company capitalizes fees incurred in connection with securing long-term financing. Amortization of deferred financing costs is provided using the straight-line method over the term of the related debt agreement. Amortization expense for these financing costs for the years ended March 31, 2009 and 2008 was $1,220,182.

Future amortization of deferred financing costs at March 31, 2009 are as follows:

Year	Amount
2010	$1,220,182
2011	1,220,182
2012	1,220,182
2013	1,220,182
2014	1,177,969
	$6,058,697

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

11. Accrued Promotion Expenses

Accrued promotion expenses represent discounts, allowances and volume bonuses awarded to customers but not paid as of year end. These programs are most often based on sales volume measured in dollars or pounds and are expensed when products are shipped. Management's best estimate of the amounts earned which remain unpaid at March 31, 2009 and 2008 are $1,835,535 and $326,329, and are included in other accrued expenses in the accompanying balance sheets. These estimates were based upon all outstanding approved programs, sales volumes by customer during the applicable period and estimated sales volumes for future periods covered by each program. Promotion related expense for the years ended March 31, 2009 and 2008 was $8,050,504 and $8,748,302, respectively, and was recorded as an offset to net sales.

12. Revenue Recognition

The Company recognizes revenue, net of sales incentives and including shipping charges billed to customers, upon shipment to customers which is when risk of loss passes.

13. Classification of Shipping Costs

Shipping costs incurred by the Company are included within cost of sales on the statements of income.

14. Advertising

The Company expenses advertising costs as the promotions occur. Advertising expense for the years ended March 31, 2009 and 2008 was $2,079,877 and $4,872,372, respectively. These expenses were classified within selling and marketing expense on the statements of income.

15. Research and Development Costs

The Company expenses research and development costs as they occur. Research and development expense for the years ended March 31, 2009 and 2008 was $1,223,586 and $906,645, respectively. These expenses were classified within general and administrative expense on the statements of income.

16. Income Taxes

Income taxes are accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement No. 109, *Accounting for lncome taxes*, which required the use of the asset and liability method. Under this method, deferred tax assets and liabilities are determined based upon the differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted tax rules and laws that are anticipated to be in effect when the differences are expected to reverse. A valuation allowance is established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

16. Income Taxes — continued

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an lnterpretation of FASB Statement No. 109* (FIN 48). FIN 48, which clarified SFAS 109, established the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Company's financial statements. In December 2008, the Financial Accounting Standards Board Issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FA SB Interpretation N0. 48 for Certain Nonpublic Enterprises.* FSP FIN 48-3 permits an entity within its scope to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of FIN 48 for the year ending March 31, 2009. The Company evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies.* Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

17. Stock Based Compensation

The Company accounts for stock based compensation under SFAS No. 123 (revised 2004), *Share-Based Payment* (Statement 123(R)), which requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

18. Comprehensive Income

The Company reports comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Comprehensive income includes net income and net actuarial gains on the post-retirement plan.

19. Fair Value Measurements

Effective April 1, 2008, the Company implemented SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for its measurement, and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have an impact on the measurement of the Company's financial assets and liabilities, but did result in additional disclosures.

In 2007, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position FAS 157-2 ("FSP 157-2"), which provided a one year deferral for the implementation of SFAS 157 for non-financial assets and liabilities measured at fair value that are recorded or disclosed on a non-recurring basis. The Company elected to apply the FSP 157-2 deferral, and accordingly, will not apply SFAS 157 to intangibles impairment testing, other long-lived assets, and non-financial assets or liabilities measured at fair value in business acquisitions, until fiscal 2010. The Company is still evaluating the financial statement impact of the implementation of SFAS 157 for non-financial assets and liabilities.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

19. Fair Value Measurements — continued

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. SFAS 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The SFAS 157 fair value hierarchy is defined as follows:

Level 1 — Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 — Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The Company does not have any Level 1 or 3 financial assets or liabilities. The interest rate swap is a financial liability measured on a recurring basis and is recorded at fair market value using Level 2 inputs as disclosed in Note E.

NOTE C — LINE OF CREDIT

The Company has available a $20,000,000 revolving credit line with a consortium of financial institutions. The line of credit bears interest at the Eurodollar Rate plus an Applicable Margin as defined in the agreement and is due May 26, 2010. No amounts were outstanding under this revolving credit line at March 31, 2009 and 2008.

NOTE D — LONG-TERM DEBT

Long-term debt consists of the following at March 31:

	2009	2008
Term loan, bearing interest at the Base Rate or the Eurodollar Rate plus an Applicable Margin as defined in the agreement (the Company has elected the Eurodollar Rate option at March 31, 2009 and 2008 — 3.75% and 5.8125%, respectively) with quarterly principal payments of $975,000 through January 31, 2014.	$382,200,000	$386,100,000
Term loan, bearing interest at the Base Rate or the Eurodollar Rate plus an Applicable Margin as defined in the agreement (the Company has elected the Eurodollar Rate option at March 31, 2009 and 2008 — 7.25% and 9.3125%, respectively) with one lump sum principal payment due July 31, 2014.	150,000,000	150,000,000
	532,200,000	536,100,000
Less current maturities	(3,900,000)	(3,900,000)
	$528,300,000	$532,200,000

The term loans and line of credit are secured by substantially all assets of the Company. Among other restrictions, the term loans contain certain covenants that provide for the maintenance of minimum levels of interest expense coverage and maximum levels of total leverage and capital expenditures. The Company is in compliance with these covenants at March 31, 2009.

The future scheduled maturities of long-term debt are as follows:

Fiscal year	Amount
2010	$ 3,900,000
2011	3,900,000
2012	3,900,000
2013	3,900,000
2014	366,600,000
Thereafter	150,000,000
	$532,200,000

NOTE E — INTEREST RATE SWAP AGREEMENT

In January 2008, the Company entered into an interest rate swap agreement which fixes the interest rates on a portion of the Company's borrowings under the floating rate term loans. The Company did not designate the interest rate swap agreement as a hedge. As such changes in the fair value of the interest rate swap agreement are recognized on the statements of income. The Company has recorded a liability in the amount of $10,440,720 and $12,206,738 to reflect the fair value of the interest rate swap at March 31, 2009 and 2008, respectively. As changes in the fair value occur, interest expense will be adjusted. The change to interest expense recorded for the years ended March 31, 2009 and 2008 due to the agreement was ($1,766,018) and $12,441,492, respectively. Terms of the agreement are as follows:

• Notional Amount	$530,000,000
• Effective Date	October 31, 2007
• Termination Date	October 31, 2009
• Fixed Interest Rate	3.735%
• Floating Interest Rate	90-day LIBOR

NOTE F — POSTRETIREMENT HEALTH AND OTHER BENEFITS

The Company provides certain health care and life insurance benefits for eligible retirees. These benefits are not funded, but are paid as incurred Eligibility for coverage is based on certain years of service and retirement age qualifications. These benefits maybe subject to deductibles, co-payment provisions and other limitations, and the Company has reserved the right to modify these benefits. As of February 2000, the postretirement plan was frozen and no new plan participants are allowed Benefit payments for the years ended March 31, 2009 and 2008 were $43,875 and $68,951.

In September 2006, the FASB issued SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88,106 and l32(R)* (SFAS 158). Part of SFAS 158 was effective for the fiscal year ending March 31, 2008 for the Company, and required the Company to recognize the funded status of the plan on the balance sheet on a prospective basis from the effective date. The funded status of the plan is determined as of the plan's measurement date and represents the difference between the amount of the obligations owed to participants under the plan and the fair value of the plan's assets dedicated to paying those obligations. To record the funded status of the plan, unrecognized prior service costs and net actuarial gains or losses experienced by the plan will be recorded as other comprehensive income or loss. The Company adopted the recognition and disclosure provisions of SFAS 158 effective March 31, 2008.

Effective for fiscal years ending after December 15, 2008, SFAS 158 also removes the existing option to use a plan measurement date that is up to 90 days prior to the date of the statement of financial position and will require the plan measurement date to coincide with the Company's fiscal year end in 2009. The Company already uses a March 31 measurement date.

NOTE F — POSTRETIREMENT HEALTH AND OTHER BENEFITS — Continued

Postretirement obligations, expense, and funding status at March 31:

	2009	2008
Accumulated postretirement health and benefit obligation	$(797,112)	$(700,277)
Plan assets, at fair value	—	—
Funded status	(797,112)	(700,277)
Accrued postretirement health and benefit obligation	$(797,112)	$(700,277)
Postretirement expense	$ 103,952	$ 114,188

The discount rate used in determining the accumulated postretirement health and benefit obligation at March 31, 2009 and 2008 was 5.50%. The health care cost trend rate used in measuring the accumulated postretirement health and benefit obligation was assumed to be 9.50% and 10% for the years ending March 31, 2009 and 2008, and decreasing gradually to 5.50% over 9 years.

The following benefit payments are expected to be paid:

2010	$ 44,000
2011	51,000
2012	52,000
2013	54,000
2014	60,000
2015-2019	318,000
	$579,000

NOTE G — INCOME TAXES

The provision for income taxes for the years ended March 31, 2009 and 2008 consists of the following components:

	2009	2008
Provision for income taxes:		
Current		
Federal	$ 9,366,709	$ 4,857,650
State	1,249,930	956,046
Deferred		
Federal	1,068,916	(2,839,412)
State	253,375	(675,799)
Total provision for income taxes	$11,938,930	$ 2,298,485

NOTE G — INCOME TAXES — Continued

The significant differences between the effective tax rate and the statutory tax rates are as follows:

	2009	2008
Statutory tax rates	40.0%	40.0%
State tax deduction	(1.3)	(4.9)
Domestic production activities deduction	(2.0)	(5.0)
Other	(0.2)	2.3
Effective tax rate	36.5%	32.4%

Deferred tax assets and liabilities arise as a result of temporary differences between financial and income tax reporting. The components of the deferred tax assets and liabilities are as follows:

	2009	2008
Deferred tax assets:		
Accounts receivable allowances	$ 263,213	$ 237,500
Interest rate swap	4,176,288	4,882,695
Post retirement benefits	318,845	280,110
Stock options	269,279	—
UNICAP	437,855	168,503
Inventory reserve	412,597	381,075
Accrued compensation	493,145	51,478
	$ 6,371,222	$ 6,001,361
Deferred tax liabilities:		
Fixed assets	$(6,827,652)	$(5,618,607)
Prepaid expense	(578,043)	(261,475)
Intangible assets	(166,539)	—
	$(7,572,234)	$(5,880,082)
Net deferred tax (liabilities) assets	$(1,201,012)	$ 121,279
Balances as presented in the balance sheet:		
Current deferred tax asset	$ 1,028,767	$ 577,081
Long-term deferred tax liability	(2,229,779)	(455,802)
	$(1,201,012)	$ 121,279

NOTE H — STOCKHOLDERS' DEFICIT

On May 26, 2005, the Company amended its Amended and Restated Articles of Incorporation. The amendment authorized the issuance of 350,000,000 shares of common stock ($.01 par value) and 50,000,000 of preferred stock ($.01 par value).

As of March 31, 2009 and 2008, 184,242,702 and 184,186,702 shares of common stock, respectively and 0 shares of preferred stock were issued and outstanding.

In November 2005, the stockholders of the Company entered into a 10-year Stockholders Agreement that imposes certain restrictions and obligations on the stockholders with respect to their stock.

NOTE I — STOCK COMPENSATION PLAN

On May 26, 2005, the Company created the Sturm Foods, Inc. 2005 Stock Option Plan ("2005 Plan"). Under terms of the 2005 Plan, the Company has reserved 16,952,201 shares for issuance to certain individuals and key employees of the Company. In fiscal 2009, the 2005 Plan was amended to increase shares available for issuance to 23,352,201. As of March 31, 2009, 253,190 shares are available for future option grants. According to the 2005 Plan, no options shall be granted at a price less than the calculated fair market value of the Company's common stock at the date of grant as determined by an independent appraisal. Unless dictated otherwise by a specific option agreement, options vest in five equal annual installments and expire ten years from the date of grant, or within ninety days after an employee ceases performing services for the Company.

The Company has adopted Statement 123 (revised 2004), *Share-Based Payment* (Statement 123(R)), which requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

	Outstanding options	Weighted average exercise price	Weighted average remaining life (months)
Outstanding at April 1, 2007	2,212,700	$ 0.12	109
Granted	250,000	1.34	120
Exercised	—	—	—
Forfeited	(336,200)	0.10	—
Outstanding at March 31, 2008	2,126,500	0.27	99
Granted	6,925,000	0.46	120
Exercised	(56,000)	0.10	—
Forfeited	(90,750)	0.10	—
Outstanding at March 31, 2009	8,904,750	$ 0.44	109
Vested or expected to vest at March 31, 2009	8,904,750	$ 0.44	109
Exercisable at March 31, 2009	926,495	$ 0.17	86

NOTE I — STOCK COMPENSATION PLAN — Continued

The fair value of each Company option grant is estimated on the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions in 2009 and 2008.

	2009	2008
Expected term (years)	6.5	6.5
Risk-free interest rate	1.67% - 3.34%	4.50%
Expected volatility	36.53% - 43.46%	26.88%
Dividend yield	—	—

Expected Term: The expected term represents the period during which the Company's stock-based awards are expected to be outstanding. The Company estimated this amount based on historical experience of similar awards, giving consideration to the contractual terms of the awards, vesting requirements, and expectations of future employee behavior, including post-vesting terminations.

Risk-Free Interest Rate: The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Expected Volatility: The fair value of stock based payments made were valued using a volatility factor based on the similar companies that are publicly traded.

Dividend Yield: The Company has not historically paid any dividends and does not expect to declare or pay dividends in the future.

Estimated Pre-vesting Forfeitures : When estimating forfeitures, the Company considers voluntary termination behavior as well as future workforce reduction programs. Due to the limited granting of the options, the Company believes no pre-vesting forfeitures will occur.

For the years ended March 31, 2009 and 2008, $964,729 and $98,340, respectively, was expensed under the 2005 Plan. Expense to be recognized in future years under the 2005 Plan at March 31, 2009 is approximately $2,772,000.

NOTE J — PROFIT SHARING PLAN

The Company has a defined contribution profit sharing plan for all employees who meet service eligibility requirements. Company contributions are at the discretion of the Board of Directors and are typically 15% of eligible employee compensation. The Company's expense for the years ended March 31, 2009 and 2008 was $4,174,915 and $2,660,837, respectively. Employees can contribute pre-tax 401 (k) contributions from 1% to 80%, subject to certain limitations of their compensation, beginning the first day of the quarter following completion of three months of service. In fiscal 2009, the profit sharing plan was amended to allow for contributions to take the form of cash or Company stock.

NOTE K — LEASES

The Company leases certain warehouse and manufacturing space and equipment under various operating lease agreements through March 2012. Total operating lease expense for the years ended March 31, 2009 and 2008 was $536,773 and $633,590, respectively. Noncancelable future minimum lease payments for operating leases as of March 31, 2009 are as follows:

Fiscal year	Amount
2010	$158,076
2011	144,400
2012	74,933
2013	—
	$377,409

In addition, the Company has long-term leases for certain equipment which are accounted for as capital leases. A summary of assets under capital leases at March 31, 2009 and 2008 is as follows:

	2009	2008
Capital leases	$389,988	$ 280,207
Less accumulated amortization	(38,999)	(232,178)
	$350,989	$ 48,029

The Company entered into new capital leases during fiscal 2009 and expire in September 2013.

Future lease payments relating to the capital leases as of March 31, 2009 are as follows:

Fiscal year	Amount
2010	$ 82,289
2011	82,289
2012	82,289
2013	82,289
2014	34,287
Total minimum lease payments	363,443
Less amount representing interest	20,318
Present value of lease payments	343,125
Less current portion	(77,998)
	$265,127

NOTE L — COMMITMENTS AND CONTINGENCIES

1. Litigation

The Company is the subject of various legal claims that arise from time to time in the ordinary course of business. These claims may relate to the Company's operations, product liability, workers' compensation and employment matters. The Company is not aware of any litigation that would materially impact the financial statements.

2. Self-Insurance

The Company maintains a stop-loss major medical insurance policy but is self-funded for the coverage up to the stop-loss limit of $125,000 per individual per year.

3. Commodity Risk

In the ordinary course of business, the Company is exposed to commodity price risks relating to the acquisition of raw materials and fuels. From time to time, the Company enters into short term (1 year or less) supply contracts with vendors to reduce these risks. The Company is not aware of any commodity positions that would materially impact the financial statements.

4. Property, Plant and Equipment

As of March 31, 2009, the Company has outstanding commitments on purchases of property, plant and equipment in the amount of approximately $2.4 million.

N OTE M — RELATED PARTY TRANSACTIONS

On May 26, 2005, the Company entered into a 12-year management agreement with a stockholder whereby the stockholder provides representation to the Board of Directors of the Company and various consulting services. A quarterly fee of $430,550 and $500,000 was charged to the Company for the years ended March 31, 2009 and 2008, respectively and the Company expensed $1,722,200 and $2,000,000 for the years ended March 31, 2009 and 2008, respectively under this agreement. Beginning in fiscal 2010, the quarterly fee will increase to $479,575.

In February 2008, the Company entered into an agreement to use an aircraft owned by MEU Holdings. The agreement calls for payments which are based on the usage of the aircraft ($3,600 per flight hour plus variable operating expenses). MEU Holdings is owned by the former Chief Executive Officer of the Company. For the years ended March 31, 2009 and 2008, the Company paid MEU Holdings $748,440 and $1,429,966, respectively. The agreement was terminated effective October 31, 2008.

NOTE N — COMPREHENSIVE INCOME

Comprehensive income consisted of the following at March 31:

	2009	2008
Net income	$20,757,220	$4,782,266
Net actuarial gains on defined benefit plan, net of tax	7,117	256,715
Comprehensive income	$20,764,337	$5,038,981

Exhibit 99.2

Financial Statements

Sturm Foods, Inc.

Nine Months Ended December 31, 2009 and 2008

(Unaudited)

Contents

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STURM FOODS, INC.
BALANCE SHEETS

	December 31, 2009 (Unaudited)	March 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 65,890,291	$ 27,720,983
Accounts receivable, less allowance for doubtful accounts, sales returns and cash discounts of $556,277 and $658,033 at December 31, 2009 and March 31, 2009	31,430,758	36,773,465
Inventories	43,835,416	43,915,526
Other current assets	870,009	1,510,385
Deferred income taxes	686,277	1,028,767
Total current assets	142,712,751	110,949,126
PROPERTY, PLANT AND EQUIPMENT		
Land	1,422,643	1,422,643
Land improvements	1,886,343	1,886,343
Buildings	34,980,591	34,529,765
Machinery and equipment	73,059,968	72,447,008
Office equipment	4,685,339	3,660,515
Vehicles	744,698	658,870
Equipment under capital leases	631,666	389,988
Construction in progress	6,396,177	3,693,978
	123,807,425	118,689,110
Less accumulated depreciation	(53,011,317)	(46,036,234)
Net property, plant and equipment	70,796,108	72,652,876
OTHER ASSETS		
Intangible assets	12,490,402	12,490,402
Deferred financing costs, net of accumulated amortization of $3,558,862 and $2,643,728 at December 31, 2009 and March 31, 2009	5,143,563	6,058,697
	$231,142,824	$202,151,101

The accompanying notes are an integral part of these statements.

	December 31, 2009 (Unaudited)	March 31, 2009
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 3,900,000	$ 3,900,000
Current maturities of capital lease obligations	179,251	77,998
Accounts payable	38,970,427	25,971,377
Accrued profit sharing	3,874,175	4,102,854
Accrued interest	3,428,341	6,380,412
Accrued taxes	3,237,965	1,381,127
Accrued salaries, vacation, and bonus	2,306,130	3,221,484
Accrued brokerage and customer promotion	3,362,125	2,276,143
Other accrued expenses	3,623,716	3,820,176
Total current liabilities	62,882,130	51,131,571
ACCRUED POSTRETIREMENT HEALTH AND BENEFIT OBLIGATION	797,112	797,112
DEFERRED INCOME TAXES	6,474,116	2,229,779
LONG-TERM DEBT, less current maturities	523,260,766	528,300,000
CAPITAL LEASE OBLIGATIONS, less current maturities	452,415	265,127
INTEREST RATE SWAP	—	10,440,720
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock	2,308,919	1,842,428
Additional paid-in capital (APIC)	22,710,705	18,220,154
Accumulated other comprehensive income	263,832	263,832
Accumulated deficit	(388,007,171)	(411,339,622)
	(362,723,715)	(391,013,208)
	$ 231,142,824	$ 202,151,101

STURM FOODS, INC.
STATEMENTS OF INCOME
Nine Months Ended December 31,

	2009	2008
	(Unaudited)	
Net sales	$252,589,966	$239,995,839
Cost of sales (includes $72,221 and $46,564 of stock based compensation for the nine month period ended December 31, 2009 and 2008)	173,481,874	168,019,968
Gross profit	79,108,092	71,975,871
Operating expenses		
General and administrative (includes $1,494,741 and $522,492 of stock based compensation for the nine month period ended December 31, 2009 and 2008)	11,803,930	13,283,106
Selling and marketing	9,654,301	7,134,742
Transaction costs	708,875	764,574
	22,167,106	21,182,422
Operating income	56,940,986	50,793,449
Other expense		
Interest expense, net	15,987,106	27,864,622
Amortization of deferred financing costs	915,136	915,136
Other expense, net	47,001	60,747
	16,949,243	28,840,505
Income before provision for income taxes	39,991,743	21,952,944
Provision for income taxes	16,516,235	8,071,886
NET INCOME	$ 23,475,508	$ 13,881,058

The accompanying notes are an integral part of these statements.

STURM FOODS, INC.
STATEMENTS OF CASH FLOWS
Nine Months Ended December 31,

	2009	2008
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 23,475,508	$ 13,881,058
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	6,975,083	6,489,909
Amortization	915,136	915,136
Interest rate swap	(10,440,720)	(1,463,667)
Stock based compensation	1,566,962	569,065
Deferred income taxes	4,586,827	(182,787)
Change in operating assets and liabilities resulting in an increase (decrease) of cash and cash equivalents, net of effects of acquisition		
Accounts receivable	5,342,707	(6,715,534)
Inventories	80,109	(12,655,027)
Other current assets	640,376	241,115
Accrued postretirement health and benefit obligation	—	26,100
Accounts payable	12,999,051	11,150,488
Accrued profit sharing	3,149,674	1,786,754
Accrued interest	(2,952,071)	(106,819)
Other accrued expenses	1,696,874	3,669,518
Net cash and cash equivalents provided by operating activities	48,035,516	17,605,309
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,713,303)	(5,292,450)
Proceeds from sale of property, plant and equipment	—	126,000
Acquisition of McCann’s	—	(12,920,488)
Net cash and cash equivalents used in investing activities	(4,713,303)	(18,086,938)

STURM FOODS, INC.
STATEMENTS OF CASH FLOWS — CONTINUED
Nine Months Ended December 31,

	2009	2008
	(Unaudited)	
Cash flows from financing activities:		
Payments on long-term debt	$ (5,039,234)	$ (2,925,000)
Payments on capital lease obligations	(116,471)	(62,133)
Proceeds from issuance of common stock	2,800	5,600
Net cash and cash equivalents used in financing activities	(5,152,905)	(2,981,533)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,169,308	(3,463,162)
Cash and cash equivalents, beginning of year	27,720,983	23,821,854
Cash and cash equivalents, end of year	$65,890,291	$20,358,692
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$25,022,262	$27,639,993
Income taxes	$11,152,384	$ 9,140,000

Non-cash operating and financing activities:

During the nine month period ending December 31, 2009 and 2008, the Company acquired machinery and equipment through capital lease payable of $405,012 and $389,988 respectively.

In June 2009 the Company contributed 4,664,910 shares of common stock ($466,491) to the employee retirement plan in recognition of the 2008 calendar year profit sharing.

STURM FOODS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE A — NATURE OF OPERATIONS

Sturm Foods, Inc. (the "Company") is a processor and packager of store brand and branded sugar and sugar free drink mixes, various hot cereal products, non-fat dry milk, hot cocoa mixes and other dry products for distribution throughout the United States and Canada. The manufacturing facilities and corporate office of the Company are located in Manawa, Wisconsin.

The Company's primary customers are large retail grocery and mass merchant stores. For the nine months ended December 31, 2009 and 2008, the largest two customers totaled 49% and 53% of net sales. The Company's top ten customer's account for approximately 74% and 74% of the Company's net sales for the nine months ended December 31, 2009 and 2008.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

These financial statements include the accounts of the Company prepared in accordance with accounting principles generally accepted in the United States of America by Sturm Foods, Inc. without audit. In our opinion these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as permitted by such rules and regulations. The financial statements and related notes should be read in conjunction with the financial statements and related notes included in the Company's annual audit report for the fiscal year ended March 31, 2009 and 2008. Results of operations for interim periods are not necessarily indicative of annual results.

2. Acquisition

In September 2008, the Company acquired the McCann Irish Oatmeal (McCann) product line for $12,920,488, including acquisition costs of $481,802. The Company acquired McCann's to strengthen the Company's oatmeal product offering. The acquisition was accounted for as a business combination and the purchase price was allocated based on the fair values as determined on the date of close. The purchase price was allocated as follows:

Inventory	$ 1,680,086
Tradename	12,490,402
Commission settlement liability	(1,250,000)
	$12,920,488

3. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

4. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the date of acquisition. Cash equivalents are stated at cost which approximates fair market value. The Company maintains its cash balances at one financial institution and is secured by the Federal Deposit Insurance Corporation up to federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

5. Accounts Receivable

The majority of the Company's accounts receivable is due from regional and national retail customers. Credit is extended based on an evaluation of customers' financial conditions. The allowance for doubtful accounts represents estimates of amounts considered uncollectible and is determined on an account-by-account basis. Payments subsequently received on accounts written off are credited to bad debt expense.

6. Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Inventory costs include material, labor and factory overhead. The Company has recorded a reserve for obsolete and excess inventories.

Inventories consist of the following at:

	(Unaudited) December 31, 2009	March 31, 2009
Raw materials	$10,236,812	$ 8,338,518
Work-in-process	10,769,946	10,241,055
Finished goods	11,649,382	16,822,218
Packaging supplies	12,477,359	9,545,228
	45,133,499	44,947,019
Less inventory reserve	(1,298,083)	(1,031,493)
	$43,835,416	$43,915,526

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

7. Property. Plant and Equipment

Property, plant and equipment are stated at cost. Maintenance and repair costs are charged to expense as incurred. Improvements and betterments that substantially increase the value or extend the useful life of the asset are capitalized at cost. The Company capitalizes interest expense incurred on long-term construction type projects.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the asset's estimated useful life. Accelerated methods are used for income tax purposes. The following estimated lives are used in calculating depreciation:

	Years
Land improvements	15-20
Buildings	15-40
Machinery and equipment (includes equipment under capital lease)	5-15
Office equipment	2-5
Vehicles	3-7

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverabilityof assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amounts of the assets exceed their respective fair values.

8. Intangible Assets

Intangible assets, which are comprised of trade names acquired in the McCann acquisition, are considered indefinite-lived intangible assets and are not subject to amortization. US GAAP requires that the indefinite-lived intangible assets be tested for impairment at least annually, or more often if warranted by events and changes in circumstances indicating that the carrying value may exceed its fair value, and written down to fair value if impaired. The Company has not recorded any impairment.

9. Fair Value of Financial Instruments

Cash and cash equivalents and accounts receivable are financial instruments with carrying values that approximate fair value. Accounts payable, accrued liabilities, interest rate swap and long-term debt are financial instruments with carrying values that approximate fair value. Interest rates currently available for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

10. Deferred Financing Costs

The Company capitalizes fees incurred in connection with securing long-term financing. Amortization of deferred financing costs is provided using the straight-line method over the term of the related debt agreement. Amortization expense for these financing costs for the nine months ended December 31, 2009 and 2008 was $915,136.

11. Accrued Promotion Expenses

Accrued promotion expenses represent discounts, allowances and volume bonuses awarded to customers but not paid as of period end. These programs are most often based on sales volume measured in dollars or pounds and are expensed when products are shipped. Promotion related expense for the nine months ended December 31, 2009 and 2008 was $7,259,445 and $5,471,167, respectively, and was recorded as an offset to net sales.

12. Revenue Recognition

The Company recognizes revenue, net of sales incentives and including shipping charges billed to customers, upon shipment to customers which is when risk of loss passes.

13. Classification of Shipping Costs

Shipping costs incurred by the Company are included within cost of sales on the statements of income.

14. Advertising

The Company expenses advertising costs as the promotions occur. Advertising expense for the nine months ended December 31, 2009 and 2008 was $3,018,465 and $1,693,068, respectively. These expenses are classified within selling and marketing expense on the statements of income.

15. Research and Development Costs

The Company expenses research and development costs as they occur. Research and development expense for the nine months ended December 31, 2009 and 2008 was $1,021,351 and $923,961, respectively. These expenses were classified within general and administrative expense on the statements of income.

16. Income Taxes

The Company follows the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted tax rules and laws that are anticipated to be in effect when the differences are expected to reverse. A valuation allowance is established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

16. Income Taxes — Continued

The Company records uncertain tax positions when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The Company has adopted the recently issued uncertain income tax position guidance as of April 1, 2009. The amount recognized for prior periods and therefore, recorded as an adjustment to retained earnings as of April 1, 2009 was $143,062. During the nine months ended December 31, 2009, an additional $29,773 was recorded for changes in uncertain tax positions. These amounts are subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

17. Stock Based Compensation

The Company accounts for stock based compensation by measuring the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The Company recognizes the compensation expense over the vesting period.

18. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. US GAAP requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 — Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 — Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The Company does not have any Level 1 or 3 financial assets or liabilities. The interest rate swap is a financial liability measured on a recurring basis and is recorded at fair market value using Level 2 inputs as disclosed in Note E.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

19. Comprehensive Income

The Company reports comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Comprehensive income includes net income and net actuarial gains on the post-retirement plan.

NOTE C — LINE OF CREDIT

The Company has available a $20,000,000 revolving credit line with a consortium of financial institutions. The line of credit bears interest at the Eurodollar Rate plus an Applicable Margin as defined in the agreement and is due May 26, 2010. No amounts were outstanding under this revolving credit line at December 31, 2009 and March 31, 2009.

NOTE D — LONG-TERM DEBT

Long-term debt consists of the following at:

	(Unaudited) December 31, 2009	March 31, 2009
Term loan, bearing interest at the Base Rate or the Eurodollar Rate plus an Applicable Margin as defined in the agreement (the Company has elected the Eurodollar Rate option at December 31, 2009 and March 31, 2009 — 2.8125% and 3.75%, respectively) with quarterly principal payments of $975,000 through January 31, 2014.	$377,160,766	$382,200,000
Term loan, bearing interest at the Base Rate or the Eurodollar Rate plus an Applicable Margin as defined in the agreement (the Company has elected the Eurodollar Rate option at December 31, 2009 and March 31, 2009 — 6.3125% and 7.25%, respectively) with one lump sum principal payment due July 31, 2014.	150,000,000	150,000,000
	527,160,766	532,200,000
Less current maturities	(3,900,000)	(3,900,000)
	$523,260,766	$528,300,000

The term loans and line of credit are secured by substantially all assets of the Company. Among other restrictions, the term loans contain certain covenants that provide for the maintenance of minimum levels of interest expense coverage and maximum levels of total leverage and capital expenditures. The Company is in compliance with these covenants at December 31, 2009.

NOTE D — LONG-TERM DEBT — Continued

The future scheduled maturities of long-term debt are as follows:

Fiscal Year	Amount
2010	$ 0
2011	3,900,000
2012	3,900,000
2013	3,900,000
2014	365,460,766
Thereafter	150,000,000
	$527,160,766

NOTE E — INTEREST RATE SWAP AGREEMENT

In January 2008, the Company entered into an interest rate swap agreement which fixes the interest rates on a portion of the Company's borrowings under the floating rate term loans. The Company did not designate the interest rate swap agreement as a hedge. As such changes in the fair value of the interest rate swap agreement are recognized on the statements of income. The company has recorded a liability in the amount of $0 and $10,440,720 to reflect the fair value of the interest rate swap at December 31, 2009 and March 31, 2009, respectively. As changes in the fair value occur, interest expense was adjusted. The change to the interest expense recorded for the nine months ended December 31, 2009 and 2008 due to the agreement was $10,440,720 and $1,463,667, respectively. Terms of the agreement were as follows:

- Notional Amount $530,000,000
- Effective Date October 31, 2007
- Termination Date October 31, 2009 (EXPIRED)
- Fixed Interest Rate 3.735%
- Floating Interest Rate 90-day LIBOR

NOTE F — POSTRETIREMENT HEALTH AND OTHER BENEFITS

The Company provides certain health care and life insurance benefits for eligible retirees. These benefits are not funded, but are paid as incurred. Eligibility for coverage is based on certain years of service and retirement age qualifications. These benefits maybe subject to deductibles, co-payment provisions and other limitations, and the Company has reserved the right to modify these benefits. As of February 2000, the postretirement plan was frozen and no new plan participants are allowed. Benefit payments for the nine months ended December 31, 2009 and 2008 were $0 and $26,100, respectively.

The Company is required to recognize the funded status of the plan on the balance sheet. The funded status of the plan is determined as of the plan's measurement date and represents the difference between the amount of the obligations owed to participants under the plan and the fair value of the plan's assets dedicated to paying those obligations. To record the funded status of the plan, unrecognized prior service costs and net actuarial gains or losses experienced by the plan will be recorded as other comprehensive income or loss.

NOTE F — POSTRETIREMENT HEALTH AND OTHER BENEFITS — continued

The Company has recorded a liability on the balance sheet in the amount of $797,112 as of December 31, 2009 and March 31, 2009 to reflect the funded status of the plan.

NOTE G — INCOME TAXES

The Company's effective tax rate for the nine months ended December 31, 2009 and 2008 was 41.3% and 36.8%, respectively. The Company's 2009 effective tax rate is unfavorably impacted by the completion and settlement of the State of Wisconsin franchise tax audit ($351,994) for the time period through March 31, 2007. In addition, the change in the Wisconsin apportionment is increasing the amount of the state tax liability.

The Company has reserved $172,835 for the nine months ended December 31, 2009 for uncertain tax positions related to franchise taxes in Arkansas and Wisconsin.

NOTE H — STOCKHOLDERS' DEFICIT

On May 26, 2005, the Company amended its Amended and Restated Articles of Incorporation. The amendment authorized the issuance of 350,000,000 shares of common stock ($.01 par value) and 50,000,000 of preferred stock ($.01 par value).

As of December 31, 2009 and March 31, 2009, 188,935,616 and 184,242,702 shares of common stock, respectively and 0 shares of preferred stock were issued and outstanding.

In November 2005, the stockholders of the Company entered into a 10-year Stockholders Agreement that imposes certain restrictions and obligations on the stockholders with respect to their stock.

NOTE I — STOCK COMPENSATION PLAN

On May 26, 2005, the Company created the Sturm Foods, Inc. 2005 Stock Option Plan ("2005 Plan"). Under terms of the 2005 Plan, the Company has reserved 16,952,201 shares for issuance to certain individuals and key employees of the Company. In fiscal 2009, the 2005 Plan was amended to increase shares available for issuance to 23,352,201. As of December 31, 2009, 642,440 shares are available for future option grants. According to the 2005 Plan, no options shall be granted at a price less than the calculated fair market value of the Company's common stock at the date of grant as determined by an independent appraisal. Unless dictated otherwise by a specific option agreement, options vest in five equal annual installments and expire ten years from the date of grant, or within ninety days after an employee ceases performing services for the Company.

NOTE I — STOCK COMPENSATION PLAN — continued

A summary of stock option activity is as follows:

	Outstanding Options	Weighted average exercise price	Weighted average remaining life (months)
Outstanding April 1, 2009	8,904,750	$ 0.44	109
Granted	0	N/A	N/A
Exercised	(28,000)	$ 0.10	N/A
Forfeited	(389,250)	$ 0.45	N/A
Outstanding December 31, 2009	8,487,500	$ 0.38	99
Vested or expected to vest at December 31, 2009	8,487,500	$ 0.38	99
Exercisable December 31, 2009	2,443,345	$ 0.30	99

For the nine months ended December 31, 2009 and 2008, $1,566,962 and $569,065, respectively, was expensed under the 2005 Plan.

NOTE J — PROFIT SHARING PLAN

The Company has a defined contribution profit sharing plan for all employees who meet service eligibility requirements. Company contributions are at the discretion of the Board of Directors and are typically 15% of eligible employee compensation. The Company’s expense for the nine months ended December 31, 2009 and 2008 was $3,149,675 and $3,291,128, respectively. Employees can contribute pre-tax 401(k) contributions from 1% to 80%, subject to certain limitations of their compensation, beginning the first day of the quarter following completion of three months of service. In fiscal 2009, the profit sharing plan was amended to allow for contributions to take the form of cash or Company stock.

NOTE K — COMMITMENTS AND CONTINGENCIES

1. Litigation

The Company is the subject of various legal claims that arise from time to time in the ordinary course of business. These claims may relate to the Company's operations, product liability, workers' compensation and employment matters. The Company is not aware of any litigation that would materially impact the financial statements.

2. Self-Insurance

The Company maintains a stop-loss major medical insurance policy but is self-funded for the coverage up to the stop-loss limit of $110,000 per individual per year.

3. Commodity Risk

In the ordinary course of business, the Company is exposed to commodity price risks relating to the acquisition of raw materials and fuels. From time to time, the Company enters into short term (1 year or less) supply contracts with vendors to reduce these risks. The Company is not aware of any commodity positions that would materially impact the financial statements.

NOTE L — RELATED PARTY TRANSACTIONS

On May 26, 2005, the Company entered into a 12-year management agreement with a stockholder whereby the stockholder provides representation to the Board of Directors of the Company and various consulting services. A quarterly fee of $479,575 and $430,550 was charged to the Company. Expense for the nine months ended December 31, 2009 and 2008 was $1,438,725 and $1,291,650, respectively.

In February 2008, the Company entered into an agreement to use an aircraft owned by MEU Holdings. The agreement calls for payments which are based on the usage of the aircraft ($3,600 per flight hour plus variable operating expenses). MEU Holdings is owned by the former Chief Executive Officer of the Company. Expense for the nine months ended December 31, 2009 and 2008 was $0 and $748,440, respectively. The agreement was terminated effective October 31, 2008.

NOTE M — SALE OF COMPANY

On December 20, 2009 the Company entered into a stock sale agreement with TreeHouse Foods, Inc. whereby TreeHouse Foods, Inc. plans to acquire 100% of the outstanding stock of the Company. The sale is expected to close in March 2010.

NOTE N — SUBSEQUENT EVENTS

The Company evaluated subsequent events from the balance sheet date of December 31, 2009 through February 16, 2010, the date the Company's interim financial statements were issued, and has concluded that no subsequent events have occurred during this period.

Exhibit 99.3

TreeHouse Foods, Inc.
Unaudited Pro Forma Condensed Combined Financial Information

On December 20, 2009, we entered into a definitive Stock Purchase Agreement to acquire Sturm Foods, Inc. ("Sturm"), a privately-owned company majority owned by an affiliate of HM Capital Partners, pursuant to which TreeHouse Foods, Inc. ("TreeHouse" or the "Company") will acquire all of the issued and outstanding capital stock of Sturm for aggregate consideration of $660 million in cash ("Sturm Acquisition"), subject to adjustments for working capital and other items, payable upon the closing of the Sturm Acquisition. Consummation of the Sturm Acquisition is subject to customary closing conditions.

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Sturm Acquisition, including related financing. The unaudited pro forma condensed combined balance sheet combines the historical balance sheets of TreeHouse and Sturm, giving effect to the Sturm Acquisition as if it had occurred on December 31, 2009. The unaudited pro forma condensed combined income statements combine the historical income statements of TreeHouse and Sturm, giving effect to the Sturm Acquisition as if it had occurred on January 1, 2009. The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the Sturm Acquisition, (ii) factually supportable, and (iii) with respect to the statements of income, expected to have a continuing impact on the operating results of the combined company. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements and:

- the audited historical financial statements of TreeHouse, as of and for the year ended December 31, 2009, included in TreeHouse's Annual Report on Form 10-K filed with the SEC on February 16, 2010;
- the audited historical financial statements of Sturm as of and for the year ended March 31, 2009, included in this Current Report on Form 8-K; and
- the unaudited historical financial statements of Sturm as of and for the nine months ended December 31, 2009, included in this Current Report on Form 8-K.

The unaudited pro forma condensed combined financial information has been prepared using the purchase method of accounting, with TreeHouse treated as the acquiror. The unaudited pro forma condensed combined financial information will differ from our final acquisition accounting for a number of reasons, including the fact that our estimates of fair value are preliminary and subject to change when our formal valuation and other studies are finalized. The differences that will occur between the preliminary estimates and the final acquisition accounting could have a material impact on the accompanying unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is presented for informational purposes only. It has been prepared in accordance with the regulations of the SEC and is not necessarily indicative of what our financial position or results of operations actually would have been had we completed the Sturm Acquisition at the dates indicated, nor does it purport to project the future financial position or operating results of the combined company. The unaudited pro forma condensed combined income statement does not reflect any revenue or cost savings from synergies that may be achieved with respect to the combined companies, or the impact of non-recurring items, including restructuring liabilities, directly related to the Sturm Acquisition.

TreeHouse Foods, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
as of December 31, 2009
(In thousands)

	As Reported TreeHouse Foods, Inc. December 31, 2009	Sturm Foods December 31, 2009	Acquisition and Debt Financing Pro Forma Adjustments		Post Debt Financing Pro Forma TreeHouse Foods, Inc. December 31, 2009	Equity Financing Pro Forma Adjustments		Pro Forma TreeHouse Foods, Inc. December 31, 2009
Assets								
Current Assets:								
Cash and cash equivalents	$ 4,415	$ 65,890	$ (65,890)	4	$ 4,415	$ —		$ 4,415
Receivables, net of allowances	86,557	31,431	—		117,988	—		117,988
Inventories, net	264,933	43,836	3,200	2	311,969	—		311,969
Deferred income taxes	3,397	686	—		4,083	—		4,083
Assets held for sale	4,081	—	—		4,081	—		4,081
Prepaid expenses and other current assets	7,269	870	—		8,139	—		8,139
Total current assets	370,652	142,713	(62,690)		450,675	—		450,675
Property, plant and equipment, net	276,033	70,796	11,644	2	358,473	—		358,473
Goodwill	575,007	—	398,019	2	973,026	—		973,026
Identifiable intangible and other assets, net	162,736	17,634	9,000	5	438,736	—		438,736
			267,000	2				
			(17,634)	4				
Total assets	$ 1,384,428	$ 231,143	$ 605,339		$ 2,220,910	$ —		$ 2,220,910
Liabilities and Stockholders' Equity								
Current liabilities:								
Accounts payable and accrued expenses	$ 148,819	$ 58,803	$ (3,428)	4	$ 204,194	$ —		$ 204,194
Current portion of long-term debt	906	4,079	(3,900)	4	1,085	—		1,085
Total current liabilities	149,725	62,882	(7,328)		205,279	—		205,279
Long-term debt	401,640	523,713	400,000	5	1,079,342	(95,250)	6	984,092
			260,000	5				
			9,000	5				
			8,250	9				
			(523,261)	4				
Deferred income taxes	45,381	6,474	104,205	2	156,060	—		156,060
Other long-term liabilities	31,453	797	—		32,250	—		32,250
Total liabilities	628,199	593,866	250,866		1,472,931	(95,250)		1,377,681
Commitments and contingencies								
Stockholders' equity:								
Preferred stock	—	—	—		—	—		—
Common stock	320	2,309	(2,309)	4	320	27	6	347
Additional paid in capital	587,598	22,711	(22,711)	4	587,598	99,973	6	682,821
						(4,750)	6	
Retained earnings (deficit)	195,262	(388,007)	388,007	4	187,012	—		187,012
			(8,250)	9				
Accumulated other comprehensive loss	(26,951)	264	(264)	4	(26,951)	—		(26,951)
Total stockholders' equity	756,229	(362,723)	354,473		747,979	95,250		843,229
Total liabilities and stockholders' equity	$ 1,384,428	$ 231,143	$ 605,339		$ 2,220,910	$ —		$ 2,220,910

See notes to unaudited pro forma condensed combined financial statements

TreeHouse Foods, Inc.
Unaudited Pro Forma Condensed Combined Income Statement
for the Year Ended December 31, 2009
(In thousands, except per share data)

	As Reported TreeHouse Foods, Inc. Year Ended December 31, 2009	Sturm Foods Twelve Months Ended December 31, 2009	Acquisition and Debt Financing Pro Forma Adjustments		Post Debt Financing Pro Forma TreeHouse Foods, Inc. December 31, 2009	Equity Financing Pro Forma Adjustments		Pro Forma TreeHouse Foods, Inc. Year Ended December 31, 2009
Net Sales	$ 1,511,653	$ 343,411	$ (1,608)	7	$ 1,853,456	$ —		$ 1,853,456
Cost of Sales	1,185,283	236,532	(1,608)	7	1,421,176			1,421,176
			10,148	2				
			(9,179)	4	—			
Gross Profit	326,370	106,879	(969)		432,280	—		432,280
Operating Expenses:								
Selling and distribution	107,938	12,190	—		120,128	—		120,128
General and administrative	80,466	16,005	—		96,471	—		96,471
Amortization expense	13,381	—	13,500	2	26,881	—		26,881
Other operating (income) expense, net	(6,224)	1,073	—		(5,151)	—		(5,151)
Total operating expenses	195,561	29,268	13,500		238,329	—		238,329
Operating income	130,809	77,611	(14,469)		193,951	—		193,951
Other (income) expense:								
Interest expense	18,430	25,555	(25,555)	4	54,755	(1,234)	6	53,521
			36,325	8				
Interest income	(45)	—	—		(45)	—		(45)
(Gain) loss on foreign exchange	(7,387)	—	—		(7,387)	—		(7,387)
Other (income) expense, net	(2,263)	1,321	(1,220)	4	(2,162)	—		(2,162)
Total other expense	8,735	26,876	9,550		45,161	(1,234)		43,927
Income from continuing operations, before income taxes	122,074	50,735	(24,019)		148,790	1,234		150,024
Income taxes	40,760	20,383	(9,247)	10	51,896	475	6	52,371
Net income	$ 81,314	$ 30,352	$ (14,771)		$ 96,895	$ 759		$ 97,654
Weighted average common shares:								
Basic	31,982				31,982	2,703		34,685
Diluted	32,798				32,798	2,703		35,501
Basic earnings per share	$ 2.54				$ 3.03			$ 2.82
Diluted earnings per share	$ 2.48				$ 2.95			$ 2.75

See notes to unaudited pro forma condensed combined financial statements

TreeHouse Foods, Inc.
Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Note 1 — Basis of Presentation

The unaudited pro forma condensed combined balance sheet was prepared using the historical balance sheets of TreeHouse as of December 31, 2009 and Sturm as of December 31, 2009. The unaudited pro forma condensed combined statement of income was prepared using the historical statements of income of TreeHouse for the 12 months ended December 31, 2009 and of Sturm for the 12 months ended December 31, 2009.

The unaudited pro forma combined financial information was prepared using the purchase method of accounting. Based on the terms of the Stock Purchase Agreement, TreeHouse is treated as the acquirer of Sturm. Accordingly, we have adjusted the historical consolidated financial information to give effect to the impact of the consideration issued in connection with the Sturm Acquisition. The purchase price has been allocated in the unaudited pro forma condensed combined balance sheet, based on management's preliminary estimate of their respective values. Definitive allocations will be performed and finalized based upon certain valuation and other studies that will be performed by TreeHouse with the services of outside valuation specialists after the closing. Accordingly, the purchase price allocation adjustments and related amortization reflected in the following unaudited pro forma condensed combined financial statements are preliminary, have been made solely for the purpose of preparing these statements and are subject to revision based on a final determination of fair value after the closing of the Sturm Acquisition. For example, if the value of the finite-lived intangible assets increased by 10%, annual pro forma operating income would decrease by approximately $13,842.

Note 2 — Preliminary Purchase Price Allocation

The purchase price for the Sturm Acquisition is $660 million, payable at closing. The purchase price of $660 million has been allocated to the assets acquired and the liabilities assumed as follows:

	(In thousands)
Accounts Receivable	$ 31,431
Inventory	47,036
Other Current Assets	1,556
Property, Plant and Equipment	82,440
Identifiable Intangible Assets	267,000
Goodwill	398,020
Total Assets Acquired	827,483
Accounts Payable	(38,971)
Other Current Liabilities	(16,583)
Other Long-term Liabilities	(1,250)
Deferred Income Taxes	(110,679)
Total Liabilities Assumed	(167,483)
Total Purchase Price	$ 660,000

For the purpose of preparing the unaudited pro forma condensed combined financial information, certain of the assets acquired and liabilities assumed have been measured at their estimated fair values as of December 31, 2009. A final determination of fair values will be based on the actual assets and liabilities that will exist on the date of the closing of the Sturm Acquisition and on our formal valuation and other studies when they are finalized. Accordingly, the fair values of the assets and liabilities included in the table above are preliminary and subject to change pending additional information that may become known. An increase in the fair value of inventory, property, plant and equipment, or any identifiable intangible assets will reduce the amount of goodwill in the unaudited pro forma condensed combined financial information, and may result in increased depreciation, and or amortization expense.

Of the $267,000 of acquired intangible assets, $250,000 was assigned to Customer Relationships with an estimated economic life of 20 years, $12,000 to Trademarks with an indefinite life, and $5,000 to formulas/recipes with an estimated economic life of 5 years. The determination of fair value for these assets was primarily based upon expected discounted cash flows. The determination of useful life was based upon historical acquisition experience, economic factors, and future cash flows of the combined company. The estimated annual amortization expense for these acquired intangible assets is approximately $13,500, using straight line amortization, and has been included in the unaudited pro forma condensed combined statement of income for the 12 months ended December 31, 2009.

Inventories reflect an adjustment of $3,200 to record the inventory at its estimated fair value. This amount is recorded in the December 31, 2009 unaudited pro forma condensed combined balance sheet. The increased inventory will temporarily impact our cost of sales after closing and therefore it is considered non-recurring and is not included in the unaudited pro forma condensed combined statement of income for the 12 months ended December 31, 2009.

Property, plant and equipment reflect an adjustment of $11,644 to record the property, plant and equipment at estimated fair market value. Total depreciation expense on the revalued property, plant, and equipment is estimated to be approximately $10,148.

A preliminary deferred tax adjustment of $104,205 has been recognized in accordance with accounting for income taxes. The amount primarily relates to $98,175 recognized as part of the identifiable intangible assets, plus $6,030 relating to the tax effect on difference between the values assigned and the estimated tax basis of assets and liabilities acquired.

Note 3 — Pro Forma Adjustments

The pro forma adjustments give effect to the Sturm Acquisition under the purchase method of accounting, borrowings under the TreeHouse credit facility, borrowings through the issuance of senor unsecured notes, the repayment of Sturm’s exiting indebtedness, the proposed offering of $100,000 in shares of TreeHouse common stock, and the payment of fees and expenses relating to these transactions.

Note 4 — Elimination of Historical Balances

These adjustments reflect the elimination of the Sturm’s identifiable intangible assets, debt (excluding capital leases), equity and accrued interest as of December 31, 2009 for the purpose of presenting a pro forma balance sheet assuming the Sturm Acquisition had occurred on December 31, 2009. Also eliminated are Sturm’s historical interest expense, depreciation expense and amortization of debt issue costs. According to the terms of the Stock Purchase Agreement, Sturm’s cash balances will remain with the sellers. Accordingly, we have eliminated Sturm’s cash balance as of December 31, 2009.

Note 5 — Debt Financing

These adjustments display the expected debt financing required to fund the Sturm Acquisition and related transaction costs. These adjustments are contingent upon the closing of the Sturm Acquisition and therefore may not occur in the event the Sturm Acquisition is not consummated. For purposes of these unaudited pro forma condensed combined financial statements, we anticipate that we will complete a debt financing at the time the Sturm Acquisition closes. The debt financing is as follows:

- senior unsecured notes payable estimated to be due 2018 totaling approximately $400,000 with an estimated interest rate of approximately 7.50%.
- a borrowing under our credit facility of approximately $182,000 at an estimated interest rate of approximately 1.23%.

We expect to incur approximately $9,000 of financing fees associated with the notes, which will be deferred and amortized over eight years, consistent with the estimated maturity of the debt. These fees will be funded through the use of our credit facility.

We expect to undertake a borrowing under our credit facility to fund the remaining balance of the purchase price (taking into account the proposed equity offering), which is expected to be approximately $160,000. We also expect to use our credit facility to fund our acquisition costs, which we expect to be approximately $22,000, of which includes $9,000 for debt issuance, $8,250 in other transaction fees that will be expensed, and $4,750 of stock issuance costs incurred in connection with the equity offering. Total expected additional borrowings under our credit facility related to the Sturm Acquisition are expected to be $182,000.

In the event TreeHouse is unable to complete the equity offering to fund the acquisition as described in Note 6, we have included additional borrowings of $100,000 in the long-term debt line. These additional borrowings are offset through the issuance of equity as described in Note 6.

Note 6 — Equity Financing

We intend to issue approximately $100,000 in common stock in a public offering (net of underwriting fees of approximately $4,750) to fund a portion of the purchase price. Shares to be issued of 2,703 were calculated using an estimated price of $37 per share. If the price of TreeHouse's common stock increases or decreases by $1 per share, the number of shares required to be issued would decrease by 71 shares or increase by 75 shares, respectively. The net proceeds have been presented as a reduction to the long-term debt line. The interest on the additional borrowings, and related tax, has also been eliminated.

Note 7 — Statement of Income Adjustments

This adjustment eliminates the sales from TreeHouse to Sturm together with Sturm's cost of sales for purchases.

Note 8 — Statement of Income Adjustments to Reflect Financing

The adjustment reflects interest expense relating to approximately $400,000 of debt issued to fund the Sturm Acquisition as further described in Note 3. This expense includes approximately $1,125 over the next 12 months of amortization expense relating to deferred financing fees expected to be incurred at the time of closing. Also included in this amount is additional interest incurred in connection with the expected borrowing of $282,000 under our credit facility (assuming there is no equity offering). Total expected interest is $36,325 (includes $1,125 of amortization for deferred financing fees), of which $30,000 relates to the $400,000 issuance of notes.

The actual rates of interest can change from those that are assumed in Note 3. If the actual rates that are incurred when the notes are issued were to increase or decrease by 0.25% from the rates we have assumed in estimating the pro forma interest adjustment, pro forma interest expense could increase or decrease by approximately $1,000 per year. Likewise, if our interest rate on our credit facility borrowings were to increase by 1% from 1.23%, pro forma interest could increase by approximately $4,800 per year (considering the equity offering).

Note 9 — Non-Recurring Acquisition Expenses

We expect to incur additional transaction costs, including financial and legal advisory fees of approximately $8,250 through the closing of the Sturm Acquisition. The total of these costs has been recorded as additional borrowings under our credit facility and a reduction to retained earnings of $8,250 on the unaudited pro forma condensed combined balance sheet. These costs are excluded from the unaudited pro forma condensed combined statement of income for the 12 months ended December 31, 2009, as they are considered non-recurring.

Note 10 — Tax Adjustments

For purposes of these unaudited pro forma condensed combined financial statements, we used a rate of 38.5%. This rate is an estimate and does not take into account any possible future tax events that may occur for the combined company.