Confidential

HAIG BERBERIAN

Modesto, California

An Extension From Pecan Processing

Into English Walnuts and Almonds

July 24, 1972

Funsten Nut Division

Corporate Development

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SUMMARY

From a small beginning in Modesto, California in 1947, Mr. Haig Berberian has built his English Walnut processing business into an important factor in the industry. In recent years, he has moved into almond processing, also. The business operates as a limited partnership, under Mr. Berberian's name.

Many operations are similar to those of Funsten. The Haig Berberian firm (HB) buys in-shell walnuts and almonds from growers in California, shells and grades them, and markets the nutmeats in bulk throughout the United States to candy manufacturers, ice cream producers, commercial bakeries, and to firms repacking into smaller retail cellophane bags. In contrast to Funsten, HB also markets in-shell nuts and meats in cellophane retail packages which are sold in foodstores under the HB crown brand.

In their year ended June 30, 1972, HB's net sales were $12,719,000, and their income before income taxes (and before interest payments to their partners) was $2,236,000. While fiscal 1972 enjoyed unusually attractive margins as a result of market conditions, we estimate that more normal margins in 1972 would have produced "normal" pre-tax income in the area of $1,500,000.

Advantages

Acquisition of the Haig Berberian nut processing business has attractive advantages for Pet:

1. The outlook is for substantial growth in sales and earnings of this business over the "normal" 1972 earnings upon which the acquisition price has been based. Both the English Walnut and almond crops will be expanding, particularly almonds, as a result of young trees planted in recent years. A grower co-op handles the largest share of each crop now. But since neither co-op has been interested in substantial expansion, we believe HB has an unusual opportunity to expand market share.

2. This acquisition is an extension of Pet's Funsten Nut Division into two other major tree-nut crops, diversifying its business risks. HB gives Funsten a stronger approach to most buyers, also. Funsten management is generally familiar with this business and understands its basic economics. Also, Funsten can bring assistance to it, in terms of combined sales operations in some market areas and of manufacturing know-how.

3. HB is located in the center of the growing areas for both English Walnuts and almonds in California, the primary U.S. source of these nut products, and has established effective long-term grower relations.

4. This acquisition represents an opportunity to invest substantial cash at attractive long-term returns on investment. The pre-tax return on investment is estimated at 19.7% in 1973, reaching 22.9% by 1975. Because this acquisition is financed by cash and requires the issuance of no new Pet common shares, it improves Pet's total earnings per share an estimated 4¢ in 1973.

Disadvantages

As with any situation, there are negatives.

1. This acquisition has the usual risks and year-to-year fluctuations inherent in a commodity business. However, because of the federal marketing orders in both walnuts and almonds, this risk is less than with the pecan business in which Pet now operates. Walnuts and almonds have not experienced the wide year-to-year swings in crop size as have pecans.

2. Over the long-term future, China could become a new supplier of walnuts to the United States, as a result of better U.S.-Chinese political relations. Offsetting this potential new supply will be greater demand from Western Europe, Japan, and eventually Russia, as their continuing economic development brings expanded use of snacks, baked goods, and fancier food products.

3. HB's thin top management requires Pet to establish and train back-up management in a business that requires experience. Funsten plans to expand HB's management group to include one or two younger men, in order to understudy Mr. Berberian.

4. When HB eventually must add manufacturing capacity, as a result of the expanding volumes anticipated, it may have to relocate the present operations, requiring substantial new investment at that time. We will acquire in the deal 12 acres outside Modesto which could be the location for this expansion.

Recommendation

Based on a balanced evaluation of the advantages and disadvantages noted above and on the detailed analysis summarized in the following sections of this report, we recommend that the corporate officers of Pet be authorized to complete negotiations and enter into a contract to acquire the Haig Berberian nut processing business for $8,350,000 in cash.

It is understood that Pet will acquire all the assets and stated liabilities associated withthis operation and that a portion of the purchase price will be held in escrow for a reasonable period of time to guarantee the transfers. This recommendation is subject to working out a definitive acquisition contract.

ENGLISH WALNUT PROCESSING INDUSTRY

Growing Areas

More than 95% of the walnut acreage in the United States is planted in California, with the rest in Oregon and Washington. In recent years, the center of walnut production has moved from Southern California north to the San Joaquin and Sacramento Valleys into the Coastal Valleys, both north and south of San Francisco. Modesto is located in the heart of the heaviest producing areas. In addition, the area around Modesto leads in non-bearing acreage which should provide increased supplies in the future.

Crop Size

The walnut crop has increased in size over the years. From an average of 80 thousand tons during the five years 1961 through 1965, it grew to an average of 95 thousand tons during the 1966 through 1970 period (Exhibit 1). This year's crop is estimated at 126 thousand tons and because of recent plantings further increases of over 5% per year are expected through the 1970's. The U.S. crop has amounted to over half of world production. Its share will grow because production in the rest of the world has leveled off.

Federal Marketing Program

The marketing of domestically produced walnuts is regulated under a Federal Marketing Agreement and Order Program as authorized by the Agricultural Marketing Agreement Act of 1937, as amended. The program was designed to improve grower returns through the establishment of volume restrictions which provide adequate supplies to domestic markets, and for the diversion of the surplus portion of the crop to non-competitive outlets. The results of this program have been stable prices and the encouragement of additional plantings.

Competition

The Diamond Walnut Growers Co-op is the dominant factor in the walnut business, controlling 55% of the crop. They are followed by Haig Berberian with 12%, Mayfair with 7%, Continental Nut Company with 4%, Santa Clara with 4%, Guerra with 3%, S & W with 3%, and all others 12%. The co-op has been reluctant to take on new members because of the additional plant investment required.

End Uses

Walnuts are sold in retail distribution, both in the shell and shelled out. Because of their low price compared to that of pecans, they have been gaining increased popularity in the past few years. Pecans are presently wholesaling for $1.50 per pound, while walnuts are $.90. Walnut meats have also been gaining in bulk outlets. Recently, Sara Lee began putting walnuts in what for them had traditionally been a pecan brownie. Packaged food manufacturers, such as Pillsbury and General Mills, feature walnut items which to some extent have replaced pecan items. We expect this trend of substituting walnuts for pecans to continue.

World Market

In recent years, there has been an insignificant amount of walnuts imported into this country. Exports have been on the rise. There is some concern that, if relations with China improve, Manchurian Walnuts might be imported into this country and weaken domestic prices. On the other hand, the growing affluence of Western Europe is a healthy sign for the export side.

ALMOND PROCESSING INDUSTRY

Growing Areas

Virtually all of the domestic almond production is in the State of California. Modesto is right in the middle of the heaviest producing area. The non-bearing acreage is quite heavy, promising increased supplies.

Crop Size

Growth in the size of the almond crop has been even more spectacular than that of the walnut crop. During the five years 1961-1965 the crop averaged 65 thousand tons; during 1965-1970 the crop averaged 97 thousand tons (Exhibit 1). The estimate for 1972 is 150 thousand tons and in the late 70's the crop is expected to reach 225 thousand tons, based on young trees already planted. We would expect to share in this tremendous potential growth.

Federal Marketing Program

The marketing of domestically produced almonds is controlled by the same Act that controls the marketing of walnuts, but under a separate marketing order. The effect of the program has been a steady price structure, the encouragement of new plantings, and development of export sales.

Competition

The California Almond Growers Exchange controls 71% of the almond crop. They are followed by Tenneco with 16%, Continental with 5%, Duche with 5%, Haig Berberian with 1%, S & W with 1%, and Wintas with 1%. Since independent growers, those not connected with the growers exchange, account for more than 29% of the new plantings, the Almond Growers' share of the market should decline.

End Uses

Almonds are sold through retail channels, both in the shell and shelled out, and to the bulk market shelled out. Confectioners consume most of the bulk tonnage, followed by bakeries, salters, and ice cream manufacturers. Almonds are a very popular "health food." The promotional programs of the Growers Exchange have helped create many new uses for almonds in recent years.

World Market

Export sales of almonds, practically non-existent in 1950, now account for half the tonnage produced each year. Because of the devaluation of the American dollar in 1971 and a short world supply, almonds have been selling at a premium in the export market.

HAIG BERBERIAN OPERATIONS

Brief History

The Haig Berberian operation at one time handled only English walnuts. In the 1960's, Mr. Berberian invested in a one-third interest in a smaller almond processor, TRICO, located at Bakersfield, California. In 1969, he and his partners sold TRICO to Tenneco. Prior to that, HB had begun buying almonds from growers and delivering them to TRICO (later Tenneco) for shelling. In 1970, HB set up its own almond shelling equipment and began operating independently in almonds.

HB has also purchased small quantities of apricot pits from canners and freezers, cracked them, and sold the kernels for use as a filler in almond paste. This volume has been expanded substantially from 1970 thru 1972. Also, small quantities of California black walnuts have been handled from time to time.

Marketing

HB's sales are through a network of 15 brokers who cover the United States and operate on a 2% commission. Most of HB's sales are in bulk to the same type of commercial buyers that Funsten sells (candy manufacturers, ice cream producers, bakeries, retail repackers). Many individual accounts are the same, since both HB and Funsten concentrate their sales efforts on the larger, year-round users, such as A & P, See's Candies, and Sara Lee.

One opportunity in this acquisition is for Funsten to offer HB's products to those accounts Funsten sells direct and to eliminate some brokerage expense.

Sales in dollars and pounds for the last several years are summarized in Exhibit 2. This indicates growing quantities of walnuts, almonds, and apricot pits handled over the last three years.

The firm uses the HB crown brand shown below. Trademark registration application will need to be made before closing in order to obtain the benefit of the firm's prior use of this mark.

Procurement

HB obtains its raw materials by direct contact with the growers. Many of these are substantial land owners, with cultivated groves, who depend on their nut crops for current cash income. In contrast with a number of years ago, today the harvesting and picking is done mechanically, with very little use of seasonal labor. HB has a wide variety of arrangements, as required, including both oral and written contracts, cash advances, and delayed payment terms. HB pays cash at delivery, while the co-ops make final settlement only after the entire crop has been received.

HB's grower contacts are through 3 salaried buyers employed during the crop season and 22 commission buyers. All buying prices are set by HB.

Plant

Plant operations include receiving, in-shell storage, cracking, grading and picking, and nutmeat storage. Twelve buildings are used, with a combined floor space totaling 260,570 square feet. A major part of this is used for storage (Exhibit 3).

Five buildings, totaling 105,910 square feet, located in an older commercial area of downtown Modesto, are leased from the Beard Land and Investment Company. This is a land-development company owned by a privately-owned local railroad company interested in keeping rail freight business in Modesto. The current rent averages 3.8¢ per square foot per month. The leases expire December 31, 1973, are renewable for five more years at a rental not more than 10% higher than the present rent.

Four of the owned buildings are adjacent to the leased buildings. The remaining three are located on a 12-acre piece of land beyond the Modesto city limits. This location contains sufficient space for plant expansion.

Processing operations are maintained seven months, September through March, with two shifts in the fall. Peak employment approximates 430 people in the fall and drops to 30 in the summer.

Plant personnel have been represented by the Teamsters Union for quite a few years. There have been no strikes or arbitrations. The current contract expires September 1, 1973. Hourly rates start at $3.15 for picking women and scale up to $5.00 for a skilled mechanic, in line with the rates of other California nut processors. The contract contains one particularly restrictive provision, that substantially more costly fringe benefits apply to employees working over 1,400 hours per year (slightly over 8 months). This is in the contracts of all the California nut processors and is the basic reason the industry operates its plants only part of the year.

Management

The management group is headed by Haig Berberian, who supervises procurement and sales, and his brother Jim Berberian, who supervises manufacturing. Key personnel are:

	Approximate Age	Function
Haig Berberian	66	General Manager
Vasken (Jim) Berberian	64	Plant Manager
L.A. Handshaw	62	Head Buyer
G.E. Lemmons	42	Assistant Plant Manager
Leo Ermoian	55	Foreman
Jule Lindsay	55	Foreman
Mary Hollenbeck	60	Office Manager

Mr. Berberian has built an excellent reputation for the firm and is very well thought of in his industry and community.

The office force consists of 7 people year-round, expanded to 10 in season.

Development Opportunities

HB will be an independent profit center within the Funsten Nut Division, with Mr. Berberian reporting to Mr. Hugh King, President of Funsten. The Berberians' salaries will be adjusted upward slightly to conform with the Funsten salary structure. Mr. Berberian will sign a five-year employment contract.

While the Berberians will manage this business as a part of Pet, Funsten plans to bring in backup management because of their age. Also, Funsten management will be spending considerable time in Modesto immediately after the acquisition, in order to become familiar in detail with the operation.

Gradually, Funsten will assume the sales responsibility for those of HB's accounts it can handle on a direct basis. The HB crown brand and the firm's identity as "Haig Berberian" will be maintained, in order to carry forward the excellent reputation that has been developed to date.

HB will be available to provide procurement advice to and to supply the almond requirements of the Whitman, Stuckey, Snack, and Dairy Divisions, to the extent that HB's prices, grades, delivery, etc. are competitive. These divisions' present requirements are approximately one million pounds of almond meats. As regards walnuts, HB has already been supplying the Snack Foods Division, where nearly all of Pet's internal requirements originate. In addition, HB can supply the almonds and walnuts that Funsten now buys for its line of consumer tin packs.

There are some California black walnuts available in the same geographic areas where HB obtains its present raw materials, and HB has unused black walnut cracking equipment in storage. Funsten plans to broaden HB's activities to include buying and shelling black walnuts, since Funsten has sales outlets for California blacks.

While there are no immediate plans to adjust processing facilities, Funsten will be evaluating the various alternative ways of substantially expanding plant capacity. One alternative is to relocate part or all of the operation to the 12 acres outside Modesto. Another is to operate the present facilities more months of the year, paying the extra labor costs that would result. Funsten has had considerable experience in expanding and modernizing its own plant facilities and can bring this know-how to bear on HB's facilities planning. Eventually, substantial additional investment may be required, although the amount cannot be determined at this time.

FINANCIAL RESULTS

The partnership fiscal year ends June 30. Financial statements have been prepared by Withuhn, Atherton, Ludlow, Rostomily & Schonhoff, in Modesto. Prior years have been audited. Fiscal 1972 statements are preliminary, from the auditors' worksheets, before completion of the audit.

As background for reviewing these statements, it should be recognized that, as this business has grown, it has been used by Mr. Berberian as the source for cash which he has put into a number of unrelated personal investments. These investments have primarily been producing orchards on the outskirts of Modesto, in anticipation that they would eventually be in the path of suburban real estate development.

As a result, the partnership includes some of these personal investments, and, on the other hand, a few parts of the nut business are held in related corporations owned by Mr. Berberian.

Balance Sheet

Exhibit 4 contains the preliminary balance sheet of the partnership at June 30, 1972, and our best approximation at this point of the balance sheet to be acquired. Pet will acquire the nut processing business only, the assets and liabilities relating to it, but not personal investments nor various loans and advances to Mr. Berberian's ranches. The adjusted balance sheet recognizes the adjustments which are necessary to separate out the complete nut processing business to be acquired.

Inventories at June 30 are based on physical counts in Modesto and on confirmations from outlying warehouses. Price Waterhouse observed the physical inventory taking at June 30, 1972. The values have been assigned in line with prior practice. Pet must write these inventories up to a higher figure related to market value, as a result of accounting rules for a purchase acquisition.

Buildings and equipment to be acquired were appraised for us by Marshall & Stevens in a preliminary appraisal dated July 17, 1972. They value the land, buildings, and equipment to be acquired at $2,586,000. This compares to the net fixed assets on HB's books at June 30, 1972, of $998,000. We believe that the detailed appraisal for IRS purposes will be higher than this preliminary figure.

Notes payable totaling $757,000, at 6% interest, were due the Wells Fargo Bank at June 30, 1972. This seasonal borrowing builds up in the fall to acquire in-shell inventory and is gradually reduced over the balance of the year. In recent years, borrowing for this purpose has peaked at $2 to $3 million some time between December and February. In the past, this source of credit has also been used to obtain cash for personal investments, with the result that year-end loan balances and interest expense in 1969, 1970, and 1971 were higher than the nut business required.

The long-term liabilities include $327,000 in 6% notes payable to relatives of Mr. Berberian who are not partners in this business. The amounts reflect gifts or trust distributions to them which have been left in the business. Also, we will assume long-term notes payable, totaling $192,500, with the Wells Fargo Bank. These were incurred to finance the construction of new warehouse facilities which will be acquired from the Isabel Berberian Corporation as a part of the acquisition.

As noted above, the assets to be acquired are significantly undervalued on the partnership balance sheet and will be written up to appraised values as of June 30, 1972. While further work is underway to determine the precise asset write-ups, we estimate now that the market value of the assets to be acquired is in the area of $6,450,000. Deducting the liabilities to be assumed gives a current estimate of the book value acquired in the area of $4,128,000.

Ownership

At June 30, 1972, ownership was divided among Mr. Berberian, as the only general partner, and seven limited partners, as follows:

Name	Relationship	Partnership Interest	
Haig Berberian		20%	
Haig Berberian Corporation		20	
Isabel Berberian Corporation	Haig's wife	20	60%
Diane Berberian Gazarian Trust	Haig's only child, married	6-2/3%	
Diane Berberian Gazarian	" " " "	13-1/3	20
Vasken Berberian	Haig's brother	10%	
Carol Berberian Trust	Vasken's daughter	5	
Richard Berberian Trust	Vasken's son	5	20
			100%

Earnings History

The past five years have seen rapid growth in HB's sales volume and in earnings.

	Net Sales (000's)	Pounds Sold In-Shell Basis (000's)	Pounds Sold In-Shell Basis Percent Increase	Pro Forma Earnings Before Income Taxes (000's)	Pro Forma Earnings Before Income Taxes Per In-Shell Pound Sold
1972	$12,719	41,222 lbs.	11.9%	$2,236	$.054
1971	10,701	36,831	18.1	1,368	.037
1970	11,083	31,185	29.8	1,087	.035
1969	9,581	24,020	(6.5)	623	.026
1968	8,256	25,684		837	.033
				Five-Year Average	$.037

The earnings figures above and in Exhibit 5 have been adjusted from the partnership financial statements to eliminate interest expense credited to the partners and to add the earnings of an inactive unconsolidated subsidiary (Sexton Nut Processors, Inc.) which will be acquired.

HB's volume growth has come not only as a result of larger walnut crops moving through commercial channels, but also from HB's expanded emphasis on almonds, apricot pits, and in-shell retail packs. As seen in the per-pound profits above, 1969 was a year of unfavorable price movements resulting in below-average margins. 1972 was a windfall year in which substantial selling price advances occurred in both walnuts and almonds after HB had accumulated its raw material.

The firm's overall margin has been longer in the past several years, because of expanded sales of longer-margined consumer packs. This has partly been offset by heavier distribution expense on these sales.

In 1969, 1970, and 1971, HB interest expense was abnormally high, as a result of using bank borrowings to make several non-operating personal investments.

Projected Earnings

We are projecting HB's unadjusted earnings before income taxes at $1,645,000 next year, increasing to $1,915,000 in the year ending June 30, 1975 (Exhibit 6). These figures are comparable to HB's past pro forma earnings, as they are before deducting the extra depreciation, management expense, and good-will amortization which arise as a result of the acquisition. The volumes projected for the next three years do not require major new plant capacity.

It is important to recognize that the projections assume average historical profit margins. Specifically, they are based on HB's average overall margin per in-shell pound sold over the past five years. This period includes one poor year (fiscal 1969) and one especially good year (fiscal 1972) and is believed to be representative, on average, of changing year-to-year market conditions.

These earnings projections assume a gradually increasing walnut crop and a rapidly growing almond crop. They assume that HB handles the same share of the walnut crop as in the past and a larger share of the almond crop. They assume continued expansion of apricot pit volume.

We believe that the projected earnings are conservative, because of several favorable factors not recognized in them. First, future sales will have a higher proportion of longer-margin retail sales than the past five years. Second, there will be some saving of sales brokerage expense. Third, earnings will result from expanded black walnut operations. Fourth, interest expense incurred for this operation in the future will not reflect borrowings for personal investments as in the past.

FINANCIAL EVALUATION OF THE TRANSACTION

The Transaction

Since HB is a partnership, its sale has to be taxable. Consequently, Mr. Berberian requires a cash transaction to pay the resulting taxes.

Mr. Berberian has agreed to accept $8,350,000 in cash, in exchange for all the assets, liabilities, and going business of the nut processing operation. This price includes payment by Mr. Berberian if a 5% California sales tax on "personal property", estimated at $70,000. The acquisition is to be effective as of July 1, 1972.

Pet will record this acquisition as a purchase and is required to write the assets up to reasonable going-concern market values. We have estimated earlier in this report that the June 30, 1972, book value after write-up will approximate $4,128,000. This leaves a maximum of $4,222,000 in goodwill, which must be amortized against after-tax earnings over 40 years, according to current accounting requirements.

Return on Investment

The unadjusted earnings before income taxes which are projected for the next three years provide pre-tax returns of 19.7%, 21.3%, and 22.9% on the case purchase price.

Effect on Pet Earnings Per Share

To determine the earnings from this acquisition that will be available for Pet's common stock, the unadjusted earnings have been reduced by the several charges that will arise from the transaction and also by Pet's long-term interest cost (at 8½%) to borrow the cash purchase price. As seen below, this acquisition adds from 4¢ to 6¢ to Pet's EPS in the next three years.

	1973	1974	1975
Net Income (from Exhibit 6)	$601	$665	$731
Less: After-tax interest expense on $8,350,000	343	343	343
Net Income Available for Pet Common Stock	$258	$322	$388
Effect on Pet Primary EPS	+ 4¢	+ 5¢	+ 6¢

U.S. PRODUCTION OF VARIOUS TREE NUTS

(Tons In-Shell)

Crop Year	Almonds	Filberts	Walnuts	Pecans
1950	37,700	6,600	64,300	62,300
1951	42,700	6,700	77,400	78,400
1952	36,400	11,800	83,800	75,700
1953	38,600	4,900	59,200	107,100
1954	43,200	8,600	75,400	47,300
1955	38,300	7,700	77,400	73,700
1956	58,600	3,000	71,800	87,200
1957	37,500	12,500	66,600	70,800
1958	19,800	7,500	88,700	86,700
1959	82,800	10,100	62,700	72,800
1960	53,000	9,000	72,800	93,800
1961	66,400	11,800	67,500	126,800
1962	48,000	7,800	79,900	37,600
1963	60,300	7,000	83,100	188,200
1964	75,400	8,100	90,200	89,300
1965	72,900	7,700	80,300	125,600
1966	85,100	12,200	96,000	80,800
1967	76,600	7,500	76,400	116,000
1968	74,500	7,600	92,000	96,200
1969	122,000	7,400	103,000	112,600
1970	128,000	8,600	108,000	76,200
1971	134,000	not available	137,000	122,800
1972 (est.)	150,000	not available	126,400	not available

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HAIG BERBERIAN (A Limited Partnership)

Gross Sales By Product, Volume and Dollars
Years Ended June 30, 1968 Through 1972
(in 000's)

Volume	1968	1969	1970	1971	1972
Walnuts-in-shell (lbs.)	4,998	3,302	6,041	7,551	9,144
-meats (lbs.)	6,448	7,102	8,217	9,249	9,519
Almonds-in-shell (lbs.)	68	39	62	213	703
-meats (lbs.)	781	457	1,808	1,267	1,994
Black Walnuts					
-in-shell (bags)	1	1	1	-	-
-meats (lbs.)	5	6	4	-	1
Apricot Pits (lbs.)	336	486	765	618	829

Dollars	1968	1969	1970	1971	1972
Walnuts-in-shell	$1,816	$1,425	$2,352	$2,401	$2,996
-meats	5,850	7,746	7,199	7,182	7,711
Almonds-in-shell	20	13	23	67	246
-meats	504	265	1,362	886	1,517
Black Walnuts-in-shell	2	2	1	1	1
-meats	4	5	4	-	1
Apricot Pits	66	97	177	173	350
Shells	1	25	12	19	19
Surplus	4	14	22	44	-
Other	4	4	18	13	10
Gross Sales	$8,271	$9,596	$11,170	$10,786	$12,851

Dollars - Sales Mix	1968	1969	1970	1971	1972
Walnuts-in-shell	22.0%	14.8%	21.1%	22.3%	23.3%
-meats	70.7	80.7	64.4	66.6	60.0
Almonds-in-shell	.2	.1	.2	.6	1.9
-meats	6.1	2.8	12.2	8.2	11.8
Apricot Pits	.8	1.0	1.6	1.6	2.7
All Others	.2	.6	.5	.7	.3
	100.0%	100.0%	100.0%	100.0%	100.0%

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EXHIBIT 3

HAIG BERBERIAN (A Limited Partnership)

Schedule of Facilities

Description	Owned Leased	Sq. Ft.	Annual Rent	Use
"B" Street Location				
Main A	Leased	29,240	$11,403.60	Walnut shelling and office
Main B	Leased	11,400	4,446.00	Cellopak-fumigation-w/h
Building #1	Owned	17,160		Cold storage
Building #1-A	Owned	45,500		Almond shelling and w/h
Building #2	Leased	20,000	9,600.00	Blanching and w/h
Building #3	Owned	10,000		Storage
Building #4	Owned	22,000		Equipment storage
Building #5	Leased	26,400	14,400.00	Receiving and storage
Building #7	Leased	18,870	8,164.56	Storage and equipment w/h
Sunset Location				
3 Buildings	Owned	60,000		apricot pits and w/h
		260,570	$48,014.16	

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HAIG BERBERIAN (A Limited Partnership)

Actual and Adjusted Balanced Sheets at June 30, 1972
(in 000's)

	Partnership Balance Sheet (a)	Adjusted Balance Sheet To be Acquired (b)
Current Assets		
Cash	$ 81	$ 81
Accounts and notes receivable	978	646
Grower advances	1,167	124
Inventories	2,329	2,329
Prepaid expenses	37	37
	4,592	3,217
Investments and Other Assets		
Grower advances (long-term portion)	94	-
Loans receivable (long-term portion)	156	3
Investments	194	2
	444	5
Plant and Equipment		
Land	68	150
Buildings	233	503
Equipment	1,027	1,138
Leasehold improvements	290	290
	1,618	2,081
Accumulated depreciation	922	1,083
	696	998
	$5,732	$4,220
Current Liabilities		
Current portion of long-term debt	$ 6	$ 6
Notes payable (Wells Fargo Bank @ 6%)	757	757
Accounts payable	231	229
Advances from customers	654	654
Accrued expenses	184	150
	1,832	1,796
Long-Term Debt		
Notes payable - Berberian family	327	327
Other	174	199
	501	526
Partners' Capital and Undrawn Profits		
Capital	200	200
Undrawn profits	3,199	1,698
	3,399	1,898
	$5,732	$4,220

Notes

(a) Preliminary statement from auditors' work sheets.

(b) Recognizing assets and liabilities included or excluded in the acquisition, as agreed, based on June 30, 1972, balances. The intent of these adjustments is to acquire all the items related to the nut processing business, but not the unrelated personal investments, transactions with Mr. Berberian's ranches, nor doubtful receivables.

(c) The above adjusted balance sheet must be written up to market values to become Pet's beginning balance sheet.

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EXHIBIT 5

HAIG BERBERIAN (A Limited Partnership)

Comparative Income Statements
Years Ended June 30, 1968 through 1972
(in 000's)

	1968		1969		1970		1971		1972	
		% to Net Sales		% to Net Sales		% to Net Sales		% to Net Sales		% to Net Sales
Gross Sales	$8,271	100.2%	$ 9,596	100.2%	$11,170	100.8%	$10,786	100.8%	$12,851	101.0%
less: Discounts	15	.2	15	.2	87	.8	85	.8	132	1.0
Net Sales	8,256	100.0	9,581	100.0	11,083	100.0	10,701	100.0	12,719	100.0
Cost of Goods Sold	6,967	84.4	8,155	85.1	9,013	81.3	8,332	77.8	9,578	75.3
Gross Profit Margin	1,289	15.6	1,426	14.9	2,070	18.7	2,369	22.2	3,141	24.7
Less Selling Expenses:										
Advertising & Prom.	10	.1	11	.1	9	.1	8	.1	9	.1
Distribution Expense	175	2.1	173	1.8	293	2.6	373	3.5	396	3.1
Other Selling Expense	105	1.3	116	1.2	132	1.2	150	1.4	165	1.3
Total Selling	290	3.5	300	3.1	434	3.9	531	5.0	570	4.5
Less General & Admin:										
Salaries	54	.6	64	.7	72	.6	82	.8	88	.7
Interest Expense (b)	134	1.6	291	3.0	373	3.4	235	2.2	170	1.3
Taxes	47	.6	83	.9	45	.4	79	.7	54	.4
Interest Income	(55)	(.6)	(60)	(.6)	(91)	(.8)	(83)	(.8)	(124)	(1.0)
Other Income (c)	(117)	(1.4)	(16)	(.2)	(12)	(.1)	(15)	(.1)	(27)	(.2)
Other Expense	97	1.1	141	1.5	162	1.5	172	1.6	174	1.4
Total Genl. & Admin.	160	1.9	503	5.3	549	5.0	470	4.4	335	2.6
Pro Forma Earnings Before Income Taxes	839	10.2	623	6.5	1,087	9.8	1,368	12.8	2,236	17.6
Less Income Taxes:										
California (7%)	59		44		76		96		157	
Federal (48%)	374		278		485		611		998	
Pro Forma Net Income	$ 406	4.9%	$ 301	3.1%	$ 526	4.7%	661	6.2%	$ 1,081	8.5%

NOTES

(a) Years 1968 through 1971 are from audited statements. 1972 figures are preliminary, from the auditors' worksheets.
(b) Partners' interest expense has been removed from the interest expense recorded in the partnership statements.
(c) Unconsolidated taxable income of Sexton Nut Processors, Inc. has been added to the Other Income of the partnership.

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HAIG BERBERIAN

Projected Income Statements
Fiscal Years Ending June 30, 1973, 1974, and 1975
(000's omitted)

	1973		1974		1975	
		% to Net Sales		% to Net Sales		% to Net Sales
Pounds - in-shell basis						
English Walnuts	31,775		33,020		34,290	
Almonds	6,200		8,000		9,900	
Apricot Kernals	6,000		6,500		7,000	
Total Pounds	43,975		47,520		51,190	
Gross Sales	$13,099	100.8%	$14,319	100.8%	$15,592	100.8%
Less Discounts	104	.8	115	.8	125	.8
Net Sales	12,995	100.0	14,204	100.0	15,467	100.0
Cost of Goods Sold	10,180	78.4	11,100	78.2	12,090	78.1
Gross Profit Margin	2,815	21.6	3,104	21.8	3,377	21.9
Less Expenses:						
Selling	650	5.0	755	5.3	862	5.6
Administrative	520	4.0	572	4.0	600	3.9
Total	1,170	9.0	1,327	9.3	1,462	9.5
Unadjusted Earnings Before Income Taxes	1,645	12.6	1,777	12.5	1,915	12.4
Less Adjustment for Pet Ownership:						
Additional Management Expense						
H. Berberian & Assistant	40	.3	40	.3	40	.3
J. Berberian & Assistant	24	.2	24	.2	24	.2
Additional Depreciation ($1,300,000 @ 9%)	117	.9	117	.8	117	.7
Total	181	1.4	181	1.3	181	1.2
Earnings Before Income Taxes	1,464	11.2	1,596	11.2	1,734	11.2
Less Federal & State Tax(51.7%)	757	5.8	825	5.8	897	5.8
Amortization of Goodwill ($4,222,000 @ 2.5%)	106	.8	106	.7	106	.7
Net Income	$ 601	4.6%	$ 665	4.7%	$ 731	4.7%
Annual Increase in:						
Net Sales			9.3%		8.9%	
Net Income			10.6		9.9	

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