

HORIZON ORGANIC HOLDING CORP  
Form PRER14A  
November 17, 2003

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**HORIZON ORGANIC HOLDING CORPORATION**

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(Name of Registrant as Specified In Its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and O-11.
  - (1) Title of each class of securities to which transaction applies:  
Common Stock, \$.001 par value  

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  - (2) Aggregate number of securities to which transaction applies:  
9,029,165  

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  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule O-11(c)(2):  
\$24.00 per share  

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  - (4) Proposed maximum aggregate value of transaction:  
\$216,699,960\*

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(5) Total fee paid:  
\$17,531.03\*\*

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ý Fee paid previously with preliminary materials.

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ý Check box if any part of the fee is offset as provided by Exchange Act Rule O-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:  
\$17,528.36

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(2) Form, Schedule or Registration Statement No.:  
Preliminary Schedule 14A File No. 0-24337

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(3) Filing Party:  
Horizon Organic Holding Corporation

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(4) Date Filed:  
August 25, 2003, as amended on October 14, 2003

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Estimated for purposes of calculating the amount of the filing fee only. This calculation assumes the acquisition by Dean Foods Company of the 9,029,165 shares of common stock, par value \$0.001 per share, of Horizon Organic Holding Corporation outstanding as of October 22, 2003 that it does not already own, at a purchase price of \$24.00 per share.

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In accordance with the Commission's April 29, 2002 Order Making Fiscal 2003 Annual Adjustments to the Fee Rates Applicable Under Section 6(b) of the Securities Act of 1933 and Sections 13(e), 14(g), 31(b) and 31(c) of the Securities Exchange Act of 1934 as amended by the Commission's Nov. 7, 2003 Fee Rate Advisory #5 for Fiscal Year 2004 and Rule 0-11(b) under the Securities Exchange Act of 1934, as amended, the Filing Fee has been calculated as \$80.90 per \$1,000,000 of Transaction Valuation.

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**HORIZON ORGANIC HOLDING CORPORATION**  
**6311 Horizon Lane**  
**Longmont, CO 80503**

**November 17, 2003**

Dear Horizon Organic Stockholder:

You are cordially invited to attend a special meeting of stockholders of Horizon Organic Holding Corporation (the "Company" or "Horizon Organic") to be held at the Company's offices at 6311 Horizon Lane, Longmont, Colorado 80503 on December 18, 2003 at 9:30 a.m. Mountain time.

As is more fully described in the enclosed proxy statement, the purpose of the meeting is to consider and vote to adopt or reject an Agreement and Plan of Merger, dated June 29, 2003, pursuant to which the Company would be merged with a wholly-owned subsidiary of Dean Foods Company ("Dean Foods"), a Delaware corporation (the "Merger"). Under the terms of the Merger, each share of the Company's outstanding common stock will be converted into the right to receive \$24.00 in cash.

**WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOUR VOTE IS VERY IMPORTANT. IF YOU DO NOT VOTE BY PROXY OR IN PERSON AT THE SPECIAL MEETING, IT WILL HAVE THE SAME EFFECT AS IF YOU**

**VOTED AGAINST THE MERGER AND AGAINST ANY VOTE TO ADJOURN THE SPECIAL MEETING. IF YOU RETURN YOUR PROXY MARKED AS AN ABSTENTION, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE MERGER AND AGAINST ANY PROPOSAL TO ADJOURN THE SPECIAL MEETING.**

**If you need any assistance in voting your shares, please call:**

**Wells Fargo Stockholder Services Customer Service at 800-468-9716**

A copy of the Agreement and Plan of Merger is included as Appendix A to the accompanying proxy statement. As a result of the Merger, Dean Foods will acquire all of the outstanding shares of the Company's common stock not already owned by it, and the common stockholders of the Company will no longer have an equity interest in the Company. Dean Foods currently holds approximately 12.9% of the Company's common stock.

The board of directors of the Company (the "Board") has carefully evaluated and considered this proposal. After considering the alternatives available, the Board believes that approval of this proposal is in the best interests of the Company and its common stockholders. As part of the review process, the Board took the following actions: (a) to address certain potential conflicts of interest described in the accompanying proxy statement, it appointed a Special Committee (the "Special Committee") to consider, negotiate and make a recommendation to the Board with respect to any potential transactions that might involve a transfer of ownership of the Company; (b) it engaged an independent investment banking firm, RBC Dain Rauscher Inc., a member company of RBC Capital Markets ("RBC"), as a financial advisor to assist both the Special Committee and the Board in evaluating any proposed transaction from a financial point of view; and (c) it explored the interest of other prospects in a potential transaction that might involve a transfer of ownership of the Company. On June 29, 2003, RBC rendered its opinion to the Special Committee and the Board that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the \$24.00 per share cash merger consideration to be paid in the Merger was fair, from a financial point of view, to the holders of Horizon Organic common stock other than Dean Foods. After substantive consideration and deliberations, the Board, without dissent, recommends that the common stockholders vote in favor of the proposed Merger.

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Whether you plan to attend the meeting, please complete, date, sign and return the enclosed proxy as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the meeting, revoke your proxy and cast your vote.

Please note that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the broker, bank or other nominee a proxy issued in your name.

Sincerely,

Board of Directors of Horizon Organic Holding Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, passed upon the merits or fairness of the Merger or determined whether the accompanying proxy statement is adequate or accurate. Any representation or warranty to the contrary is a criminal offense.**

**This proxy statement is dated November 17, 2003, and is first being mailed to stockholders of Horizon Organic on or about November 21, 2003.**

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**HORIZON ORGANIC HOLDING CORPORATION  
6311 Horizon Lane  
Longmont, Colorado 80503**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON DECEMBER 18, 2003**

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To the Stockholders of Horizon Organic Holding Corporation:

Notice Is Hereby Given that a special meeting of stockholders of Horizon Organic Holding Corporation, a Delaware corporation (the "Company"), will be held on December 18, 2003 at 9:30 a.m. Mountain time at the Company's offices at 6311 Horizon Lane, Longmont, Colorado 80503 (the "Special Meeting"), for the following purposes:

(1) **To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated June 29, 2003 (the "Agreement and Plan of Merger"), by and among Dean Foods Company, a Delaware corporation, Capricorn Acquisition Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Dean Foods Company, and the Company, pursuant to which Capricorn Acquisition Sub, Inc. will merge with and into the Company, with the Company continuing as the surviving corporation, and to authorize the merger as described in the accompanying proxy statement. The affirmative vote of the holders of a majority of the shares of the Company's common stock outstanding as of the record date is required to approve and adopt the Agreement and Plan of Merger.**

(2) **If necessary, to adjourn the Special Meeting for the purpose of soliciting additional proxies in connection with the Agreement and Plan of Merger.**

**No other business will be presented to or conducted at the Special Meeting.**

Under the terms of the merger, each share of the Company's common stock will be converted into the right to receive \$24.00 in cash.

The board of directors of the Company has fixed the close of business on October 22, 2003 as the record date for the determination of stockholders entitled to notice of, and to vote at, this Special Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors of Horizon Organic Holding Corporation

Thomas P. Briggs  
Secretary

Longmont, Colorado  
November 17, 2003

*Whether or not you plan to attend the meeting, please complete, sign, date and return the accompanying proxy in the enclosed self-addressed stamped envelope.*

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**SUMMARY TERM SHEET**

The following summarizes the principal terms of the proposed merger ("Merger") of Horizon Organic Holding Corporation, a Delaware corporation ("We," "Horizon Organic" or the "Company"), with Capricorn Acquisition Sub, Inc., a Delaware corporation ("Merger Sub"), which is a wholly-owned subsidiary of Dean Foods Company, a Delaware corporation ("Dean Foods" or "Parent"). This summary does not contain all of the information that may be important for you to consider when evaluating the merits of the Merger. You are encouraged to read this Proxy Statement, including the appendices and the documents that have been incorporated by reference into this Proxy Statement, in their entirety before voting. Section references are included below to direct you to a more complete description of the topics discussed in this summary.

You are being asked to approve and adopt an Agreement and Plan of Merger, dated as of June 29, 2003 (the "Agreement and Plan of Merger"), which provides for the merger of Merger Sub into Horizon Organic. As a holder of Horizon Organic common stock, you and all other such holders other than Dean Foods will be entitled to receive \$24.00 in cash, without interest (the "Cash Merger Consideration"), for each share of Horizon Organic common stock that you own. (See "THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING: Solicitation, Voting and Revocation of Proxies," p. 10).

Because Merger Sub was created only to facilitate the Merger, it has no assets. Dean Foods will fund approximately \$254,000,000 to effect the payment of the total Cash Merger Consideration to our common stockholders (assuming exercise of all outstanding Company stock options prior to the effective time of the Merger). As of September 30, 2003, Dean Foods owned 1,338,000 shares of our common stock, and Dean Foods intends to vote its shares in favor of the Merger. (See the discussion of conflicts of interest below in this summary and "SPECIAL FACTORS: Interests of Certain Persons in the Merger," p. 43).

Dean Foods is one of the nation's leading food and beverage companies. It is the nation's leading processor and distributor of milk and other dairy products, and a leader in the soy-foods and specialty foods industries. Dean Foods produces a full line of company-branded and private label dairy products. It operates in more than 120 manufacturing facilities across the United States and in Spain and has approximately 28,000 employees worldwide. (See "THE AGREEMENT AND PLAN OF MERGER: Parties to the Merger Transaction, Dean Foods Company," p. 61).

This is a "going private" transaction. As a result of the Merger:

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Dean Foods will hold all of our capital stock and equity interest;

Our current common stockholders will no longer have an interest in any future earnings or growth of the business;

We will no longer be a publicly-traded company; and

Our common stock will no longer be traded on the Nasdaq National Market. (See "SPECIAL FACTORS: Certain Effects of the Merger," p. 41).

The proposed Merger involves a potential conflict of interest because Dean Foods holds approximately 12.9% of our common stock, and two employees of Dean Foods or a wholly- owned subsidiary of Dean Foods serve on our board of directors (the "Board"), one of whom is a designated representative of Dean Foods. As a result, the Board formed a special committee (the "Special Committee"), consisting of all directors except the two employees of Dean Foods, for the purposes of considering, negotiating and making a recommendation to our Board regarding any transaction involving a transfer of ownership, including the proposed Merger.

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Charles F. Marcy, our President and Chief Executive Officer, served as a non-voting member on the Special Committee. (See "SPECIAL FACTORS: Background of the Proposal," p. 11).

In October 2002, we retained the services of RBC Dain Rauscher Inc., a member company of RBC Capital Markets ("RBC"), as the financial advisor to the Board, to consider strategic alternatives and, if requested, to give us an opinion as to the fairness of a proposed transaction to our common stockholders. (See "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22).

From March 2003 through June 28, 2003, RBC explored the interest of other prospects in a potential transaction involving a change in ownership of our Company. No one other than Dean Foods submitted an offer. (See "SPECIAL FACTORS: Background of the Proposal," p. 11).

On June 29, 2003, RBC rendered its opinion to the Special Committee and the Board that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the \$24.00 per share Cash Merger Consideration to be paid in the Merger was fair, from a financial point of view, to the holders of Horizon Organic common stock other than Dean Foods. The full text of RBC's opinion is attached to this proxy statement as Appendix B. The summary of RBC's opinion which is located in the section of this proxy statement entitled "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor" is qualified by reference to the full text of the opinion, which we urge you to read carefully in its entirety. The opinion was directed to Horizon Organic's Special Committee and the Board and does not constitute a recommendation as to how any holder of our common stock should vote on the Merger. (See "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22).

The Special Committee has determined that the Merger is fair to and in the best interests of our common stockholders other than Dean Foods and has recommended to our Board that the Merger should be completed under the terms of the Agreement and Plan of Merger. (See "SPECIAL FACTORS: The Special Committee and Its Recommendation," p. 18).

Acting on the unanimous recommendation of the Special Committee, our Board, without dissent, has approved and adopted the Agreement and Plan of Merger and authorized the Merger and recommends that you vote FOR approval and adoption of the Agreement and Plan of Merger and the Merger. (See "SPECIAL FACTORS: The Board's Recommendation," p. 22).



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The Merger must be approved and adopted by a majority of our outstanding shares of common stock. (See "THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING: Record Date, Outstanding Voting Securities and Voting Rights," p. 9).

The Merger is subject to several additional conditions, including clearance by the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. On August 6, 2003, we received notice that this condition had been met. The parties expect that the Merger will be effective in early January 2004, subject to such conditions. (See "THE AGREEMENT AND PLAN OF MERGER: Conditions," p. 64, also see "AMENDMENT TO AGREEMENT AND PLAN OF MERGER," Appendix D).

The Agreement and Plan of Merger may be terminated at any time before the completion of the Merger by mutual written consent of both Dean Foods and us or by either party in certain instances. (See "THE AGREEMENT AND PLAN OF MERGER: Termination, Amendment and Waiver; Termination or Break-Up Fee," p. 66).

If the Agreement and Plan of Merger is terminated by Dean Foods in certain circumstances, including in the event that we breach the "no shop" provision of the Agreement and Plan of Merger, or the Board withdraws its recommendation of the Merger or recommends an

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alternative transaction to the Merger, then we will be obligated to pay Dean Foods a termination or "break-up" fee in the amount of \$10,000,000 and reimbursement of expenses not to exceed \$2,000,000. (See "THE AGREEMENT AND PLAN OF MERGER: Termination, Amendment and Waiver; Termination or Break-Up Fee," p. 66).

If you choose not to vote in favor of the Merger, Delaware law entitles you to a judicial appraisal of the fair value of your shares of common stock. There are procedural requirements that you will have to follow if you decide to pursue a judicial appraisal. We will not pay any expenses that you might incur in this regard. (See "DISSENTERS' RIGHTS: STOCKHOLDERS EXERCISING THEIR APPRAISAL RIGHTS," p. 68).

Your receipt of cash as a result of the Merger will generally be taxable to you. (See "OTHER DISCLOSURES: Material Federal Income Tax Consequences," p. 71).

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### QUESTIONS AND ANSWERS ABOUT THE MERGER PROPOSAL

**The following questions and answers are intended to summarize and highlight selected information from this Proxy Statement. These questions and answers do not contain all the information that may be important to you in evaluating the proposal. You should carefully read the entire Proxy Statement and all of its appendices including documents incorporated by reference prior to casting your vote.**

#### WHAT AM I BEING ASKED TO VOTE UPON?

You are being asked to consider and vote upon two proposals: (1) a proposal to approve and adopt the Agreement and Plan of Merger, pursuant to which a company that is wholly-owned by Dean Foods will be merged into our Company; and (2) a proposal to approve, if necessary, the adjournment of the Special Meeting to allow time to solicit additional proxies in connection with the Merger. As a result of the Merger, Dean Foods will hold all outstanding capital stock and equity interest of the Company, and you will no longer hold any of our stock. (See "THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING: Business of the Special Meeting," p. 9).

**WHAT WILL I RECEIVE IN THE MERGER?**

As a result of the Merger, each of your shares will be converted into the right to receive \$24.00 in cash, which will be paid to you after the Merger is completed. Dean Foods will pay the aggregate Cash Merger Consideration of approximately \$254 million (assuming exercise of all outstanding Company stock options). (See "SPECIAL FACTORS: Source of Funds to Complete the Merger," p. 49).

**DOES DEAN FOODS HAVE THE FINANCIAL RESOURCES TO COMPLETE THE TRANSACTION?**

It is expected that Dean Foods will obtain the funds necessary to pay this amount from funds drawn under its revolving credit facility with various lenders and that Dean Foods has sufficient availability under its revolving credit facility to pay the Cash Merger Consideration. (See "SPECIAL FACTORS: Source of Funds to Complete the Merger," p. 49).

**WHY WAS THE SPECIAL COMMITTEE FORMED?**

Our Board formed the Special Committee in connection with evaluating, negotiating and approving the terms of the Agreement and Plan of Merger. Dean Foods currently holds approximately 12.9% of our common stock. Our Board believed that a Special Committee of directors who are not agents, officers or employees of any potential acquirer of our Company, including Dean Foods, and who do not have a financial interest in the Merger materially different from the common stockholders was advisable to eliminate any potential conflict of interest in evaluating, negotiating and recommending the Merger and the terms of the Agreement and Plan of Merger. The Special Committee was formed on May 13, 2003. Its responsibility was to consider, negotiate and make recommendations to our Board with respect to transactions that would involve the transfer of ownership of the Company. The Special Committee has completed this activity. (See "SPECIAL FACTORS: Background of the Proposal," p. 11).

**WHY IS THE BOARD RECOMMENDING THE MERGER?**

Relying on the recommendation of the Special Committee and the opinion of RBC, our Board has approved the Merger and the Agreement and Plan of Merger and has voted to recommend that you vote FOR approval of the Merger and the Agreement and Plan of Merger.

We entered into the Agreement and Plan of Merger, among other reasons, to permit our stockholders to realize a significant premium over market prices for our common stock. The Cash

Merger Consideration represents a premium of more than forty-six percent (46%) over the average closing price of our common stock for the thirty days prior to June 29, 2003, the date on which we signed the Agreement and Plan of Merger.

The Company retained RBC as an expert financial advisor to provide guidance to the Special Committee and the Board concerning the proposed Merger. The Board received an opinion from RBC on which the Special Committee and the Board have relied. It is RBC's opinion that as of June 29, 2003, the \$24.00 per share to be paid to the common stockholders in the Merger is fair from a financial point of view. (See "SPECIAL FACTORS: The Special Committee and Its Recommendation," p. 18).

**HOW WAS THE AMOUNT OF THE MERGER CONSIDERATION DETERMINED?**

The Cash Merger Consideration of \$24.00 per share was determined by direct negotiations between Dean Foods and the Company. (See "SPECIAL FACTORS: The Special Committee and Its Recommendation," p. 18 and "SPECIAL FACTORS: Background of the Proposal," p. 11).

**WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?**

If the Agreement and Plan of Merger is adopted and approved at the Special Meeting, and the other conditions to the Merger are satisfied or waived, the Merger is expected to be completed in early January 2004. (See "THE AGREEMENT AND PLAN OF MERGER: Effective Time," p. 62).

**ARE THERE CONDITIONS TO THE MERGER OTHER THAN ITS APPROVAL AT THE SPECIAL MEETING OR OTHER CIRCUMSTANCES UNDER WHICH THE MERGER MAY NOT BE COMPLETED?**

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Yes. Before the Merger can be completed, the conditions contained in the Agreement and Plan of Merger must be satisfied or waived. These conditions include, among others, the accuracy of representations and warranties made by us and by Dean Foods, the absence of material adverse changes in our business, the satisfaction of certain requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, completion of the Merger on or before January 15, 2004 and other contractual conditions common to a transaction of this type and size. The requirements relative to the Hart-Scott-Rodino condition were met on August 6, 2003. The Agreement and Plan of Merger was amended on November 14, 2003 to revise the date on which Dean Foods or Horizon Organic may terminate the Agreement and Plan of Merger from December 15, 2003 to January 15, 2004 if the Merger has not been completed by such date. The Amendment to Agreement and Plan of Merger is attached hereto as Appendix D. Further, we can terminate the Merger at any time prior to its completion by mutual consent, and either of us can terminate the Merger if certain events occur. In certain circumstances, we would have to pay Dean Foods a termination fee together with expenses if we terminate the Merger.

Additionally, there are two (2) pending lawsuits filed since June 29, 2003, which question various aspects of the Merger and seek to enjoin the completion of the Merger. We believe the lawsuits have no merit, and we are vigorously defending them. (See "SPECIAL FACTORS: Post June 29, 2003 Litigation," p. 43).

### **WHAT ARE THE CONSEQUENCES OF THE MERGER TO PRESENT MEMBERS OF MANAGEMENT AND THE BOARD?**

Our current Board will resign effective upon the closing of the Merger. It is expected that, in general, members of our current management will continue to serve in management positions of the merged entity after the Merger. Like all of our other stockholders except Dean Foods, members of management and the Board will be entitled to receive \$24.00 per share in cash for each of their shares of common stock. Ms. Goolsby, the designated representative of Dean Foods on the Board, intends to

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surrender and cancel her Horizon Organic stock options immediately prior to the Merger. (See "SPECIAL FACTORS: Certain Effects of the Merger: Resignation of Directors," p. 42).

### **WHAT ARE THE U.S. FEDERAL INCOME TAX CONSEQUENCES?**

Your receipt of cash for your shares in the Merger will be a taxable transaction for U.S. federal income tax purposes and also may be a taxable transaction under applicable state, local, foreign or other tax laws. You will recognize a gain or loss equal to the difference between \$24.00 per share and your tax basis in the shares of Horizon Organic common stock that you owned immediately prior to the completion of the Merger. For U.S. federal income tax purposes, this gain or loss generally will be a capital gain or loss if you held the shares of common stock as a capital asset.

Tax matters are very complicated, and the tax consequences of the Merger to you will depend on the facts of your own situation. You should consult your own tax advisors for a full understanding of the tax consequences of the Merger as may be applied to you. (See "OTHER DISCLOSURES: Material Federal Income Tax Consequences," p. 71).

### **WHEN AND WHERE IS THE SPECIAL MEETING?**

The Special Meeting will be held at our Company's offices at 6311 Horizon Lane, Longmont, Colorado, on December 18, 2003 at 9:30 a.m. Mountain time. (See "THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING: General: Date, Time and Place of Special Meeting," p. 9).

### **WHO CAN VOTE ON THE AGREEMENT AND PLAN OF MERGER?**

Any holders of our common stock at the close of business on October 22, 2003, the record date for the Special Meeting, may vote in person or by proxy at the Special Meeting.

### **WHAT VOTE IS REQUIRED TO ADOPT AND APPROVE THE AGREEMENT AND PLAN OF MERGER?**

The Agreement and Plan of Merger must be adopted and approved by the affirmative vote of at least a majority of the outstanding shares of our common stock.

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Dean Foods, together with Horizon Organic's directors and management, hold an aggregate of 2,704,434 shares of common stock issued and outstanding, which constitute 26.09% of the Company's shares issued and outstanding (this number and percentage calculation do not include any shares that may be purchased by reason of the exercise of options prior to or coincident with the closing of the Merger). Assuming that all of such shares are voted in favor of the Merger, 2,478,462 additional shares or 23.91% of the shares issued and outstanding would have to be voted by other stockholders in favor of the Merger in order for it to be completed.

No Horizon Organic directors or members of management have agreed to vote their Company stock in favor of the Merger, although as of the date hereof, all intend to do so. (See "THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING: Business of the Special Meeting," p. 9).

### **WHAT DO I NEED TO DO WITH MY PROXY CARD?**

After you have carefully read this document, indicate on your proxy card how you want to vote. Sign, date and mail the proxy card in the enclosed, postage prepaid return envelope as soon as possible so that your shares may be represented and voted at the Special Meeting.

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### **WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?**

The failure to return your proxy card will have the same effect as voting AGAINST the Agreement and Plan of Merger because approval requires the affirmative vote of a majority of the outstanding shares of our common stock.

### **WHAT WILL HAPPEN TO THE MARKET FOR THE COMMON STOCK AFTER THE MERGER?**

At the effective time of the Merger (the "Effective Time"), trading in our common stock on the Nasdaq National Market will cease, and there will no longer be a public market for it. Price quotations for the Company's common stock will no longer be available and the registration of our common stock under the Securities Exchange Act of 1934, as amended, will be terminated.

### **SHOULD I SEND MY STOCK CERTIFICATES NOW?**

No. After the Merger is completed, you will receive written instructions about how to exchange your shares of common stock for a cash payment of \$24.00 per share, without interest.

### **MAY I VOTE IN PERSON?**

Yes. You may attend the Special Meeting of stockholders and vote your shares in person whether or not you sign and return your proxy card. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the Special Meeting, you must obtain a proxy from the broker, bank or other nominee.

### **MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?**

Yes. You may change your vote at any time before your proxy card is voted at the Special Meeting. You can do this in one of three ways. First, you can send a written notice to the Secretary of Horizon Organic at its executive offices located at 6311 Horizon Lane, Longmont, CO 80503, stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker regarding how you may change your prior instructions.

### **IF MY SHARES ARE HELD BY MY BROKER IN "STREET NAME," WILL MY BROKER VOTE MY SHARES FOR ME?**

No. Your shares will not be voted unless you follow the directions your broker sends to you regarding how to vote your shares. If you do not give your broker instructions, your broker will not vote your shares; it will have the same effect as a vote AGAINST the Merger, and AGAINST any vote to adjourn the Special Meeting, if necessary, to allow time to solicit additional proxies in connection with the Merger.

### **WHO SHOULD I CONTACT IF I HAVE FURTHER QUESTIONS?**

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You may contact Horizon Organic's Investor Relations department at the address and telephone number below:

Horizon Organic Holding Corporation  
Attention: Ms. Jennifer J. Matuschek  
6311 Horizon Lane  
Longmont, CO 80503  
303-530-2711, Extension 178

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and files annual, quarterly and current reports, proxy statements and other information

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with the U.S. Securities and Exchange Commission (the "SEC"). These reports and information may be read and copied at the SEC's Public Reference Room, 450 Fifth Street, N.W., Room 1024, Washington, DC 20549. Copies of the reports and information filed by the Company may also be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, DC 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a worldwide web site on the internet that contains reports, proxy statements and other information about registrants, such as the Company, that file electronically with the SEC. The address of that web site is <http://www.sec.gov>. Additionally, the Company makes its public filings available on its website at [www.horizonorganic.com](http://www.horizonorganic.com).

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### **THE SPECIAL MEETING: INFORMATION CONCERNING PROXY SOLICITATION AND VOTING**

#### **General: Date, Time and Place of Special Meeting**

The Company is soliciting the enclosed proxy on behalf of its Board for use at the Special Meeting to be held on December 18, 2003 at 9:30 a.m. Mountain time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Special Meeting. This Proxy Statement is furnished in connection with the solicitation.

The Special Meeting will be held at the Company's offices at 6311 Horizon Lane, Longmont, Colorado. The Company intends to mail this Proxy Statement and accompanying proxy card on or about November 21, 2003, to all stockholders entitled to vote at the Special Meeting.

#### **Business of the Special Meeting**

At the Special Meeting, the Company's stockholders will consider and vote upon two proposals: (1) the proposal to approve and adopt the Agreement and Plan of Merger, pursuant to which Merger Sub will be merged into the Company ("Proposal 1"); and (2) a proposal to approve, if necessary, the adjournment of the Special Meeting to allow time to solicit additional proxies in connection with the Merger ("Proposal 2"). Upon approval of Proposal 1, each outstanding share of Horizon Organic common stock (other than shares held by stockholders who have properly perfected their appraisal rights) will be converted into the right to receive \$24.00 in cash. A copy of the Agreement and Plan of Merger is attached as Appendix A hereto.

Unless contrary instructions are indicated on the enclosed proxy, all shares represented by valid proxies received pursuant to this solicitation will be voted for or against the Proposals as indicated by the voting stockholder.

#### **Record Date, Outstanding Voting Securities and Voting Rights**

The Board has set the close of business on October 22, 2003 as the record date (the "Record Date") for determining stockholders of the Company entitled to notice of and to vote at the Special Meeting. As of the Record Date, there were 10,367,165 shares of Horizon Organic's common stock outstanding. Each share of the Company's common stock is entitled to one vote on the Proposals and any other matter to be acted

upon at the Special Meeting.

Under Delaware law, the representation in person or by proxy of a majority of the votes that are entitled to be cast is necessary to provide a quorum at the Special Meeting. At the Special Meeting, the affirmative vote of a majority of the shares issued and outstanding is required to approve Proposal 1. However, the affirmative vote of a majority of the shares represented at the Special Meeting is required to approve Proposal 2.

Abstentions will not be counted as a vote in favor of Proposal 1 or Proposal 2. Abstentions will be counted for the purposes of determining the presence or absence of a quorum. In the case of each Proposal, an abstention will have the same effect as a vote against the respective Proposal.

The two Proposals are not considered routine matters. Accordingly, broker-dealers who hold shares in street name will not have authority to vote on either of them. For the purposes of the vote on Proposals 1 and 2, broker non-votes will have the same effect as votes against each Proposal.

The Merger is not structured so that approval is required of a majority of the unaffiliated stockholders; rather it requires the approval of the holders of a majority of the Company's common stock, including stock held by affiliates of the Company. Dean Foods' holds 1,338,000 shares, or approximately 12.9% of the Company's outstanding shares of common stock, which Dean Foods' will vote for the Merger.

#### **Solicitation, Voting and Revocation of Proxies**

The Company will bear the cost of preparing and mailing this Proxy Statement, the Notice of Special Meeting and the enclosed proxy. There will be no special Internet web page set up to solicit or receive proxies. Proxies may be solicited by telephone, the use of mail or e-mail communications that will be originated by officers, directors, and a small number of regular employees of the Company who will not be specially compensated for their efforts. The Company may request that banks and broker-dealers solicit proxies from their customers and will reimburse them for their reasonable expenses incurred in connection with such solicitation.

The enclosed proxy is solicited on behalf of the Board. The submission of a proxy does not preclude the right to vote in person if any stockholder giving the proxy so desires. Stockholders have a right to revoke their proxy at any time prior to the exercise thereof, either in person at the Special Meeting or by filing with the Company's Secretary at the Company's principal executive offices a written revocation or duly executed proxy bearing a later date; however, no such revocation will be effective until written notice of the revocation is received by the Company at or prior to the Special Meeting. Attendance at the meeting will not, by itself, revoke a proxy.

#### **Dissenters' Rights of Appraisal**

The business presented is the vote upon the Merger of the Company with a third party. Under Section 262 of the Delaware General Corporation Law, if a vote sufficient to effect the Merger is obtained, a stockholder who chooses to dissent from the transaction may have his interest in the Company judicially appraised and then paid at the appraised price. This price could be higher or lower than the Cash Merger Consideration. These rights are discussed in detail in the accompanying materials.

#### **Adjournments**

Although it is not expected, the Special Meeting may be adjourned for the purpose of soliciting additional proxies. Any adjournment of the Special Meeting may be made without notice, other than by an announcement made at the Special Meeting, by approval of the holders of a majority of the shares of the Company's common stock present in person or represented by proxy at the Special Meeting, whether or not a quorum exists. There is a separate proposal on the proxy for stockholders to vote on whether Thomas D. McCloskey, Jr., the Company's Chairman of the Board, and Thomas P. Briggs, the Company's Chief Financial Officer, as holders of the proxies, may effect such an adjournment.

## SPECIAL FACTORS

The Agreement and Plan of Merger provides that Merger Sub will be merged with and into the Company and that following the Merger, the separate existence of Merger Sub will cease and the Company will continue as the surviving corporation. The terms of and conditions to the Merger are contained in Appendix A to this Proxy Statement. The discussion in this Proxy Statement of the Merger and the Agreement and Plan of Merger, which consists of a summary description of all of the material terms of the Agreement and Plan of Merger, is subject to and qualified in its entirety by reference to the more complete information set forth in Appendix A.

### Background of the Proposal

Horizon Organic produces and markets the leading brands of organic milk in the U.S. and the United Kingdom and a full line of branded, refrigerated, organic dairy products and organic juices. The Company markets its products under the Horizon Organic and The Organic Cow of Vermont brand names in the U.S. and the Rachel's Organic brand name in the United Kingdom. Horizon Organic is the largest brand of organic foods in the U.S. It also licenses its Horizon Organic brand for use on organic dairy products in Japan and organic eggs in the U.S. According to *Information Resources, Inc.*, a market research firm, its organic fluid milk has an approximately 70% market share of all organic fluid milk sold in conventional supermarket chains in the U.S.

Dean Foods is one of the nation's leading food and beverage companies. It is the nation's leading processor and distributor of milk and other dairy products, and a leader in the soy-foods and specialty foods industries. Dean Foods produces a full line of company-branded and private label dairy products. It operates in more than 120 manufacturing facilities across the United States and in Spain and has approximately 28,000 employees worldwide.

Dean Foods originally acquired 1,100,000 shares of common stock from Horizon Organic pursuant to a Stock Purchase Agreement, dated as of June 5, 1998, by and between Horizon Organic and Dean Foods (the "1998 Stock Purchase Agreement"). Subsequent to the 1998 Stock Purchase Agreement, Dean Foods acquired additional shares of common stock in the following amounts: (i) 75,000 shares at a purchase price of \$15.79 per share on February 2, 1999, (ii) 75,000 shares at a purchase price of \$15.50 per share on February 10, 1999, (iii) 40,000 shares at a purchase price of \$15.72 per share on February 23, 1999, (iv) 23,000 shares at a purchase price of \$15.67 per share on February 23, 1999, and (v) 25,000 shares at a purchase price of \$15.67 per share on March 1, 1999. All of the shares purchased after the 1998 Stock Purchase Agreement were purchased in private transactions pursuant to the Major Stockholder Agreement (defined below, see also "SPECIAL FACTORS: Interests of Certain Persons in the Merger: Transactions and Relationships between Horizon Organic and Dean Foods," p. 43).

Pursuant to the 1998 Stock Purchase Agreement, Horizon Organic and Dean Foods entered into a Stockholder Agreement, dated as of June 5, 1998 (the "Stockholder Agreement"). Under the Stockholder Agreement: (i) so long as Dean Foods' fully diluted ownership percentage in Horizon Organic is at least five percent (5%), Dean Foods has the right to designate one member of the Board; (ii) Dean Foods has certain preemptive rights to maintain its ownership percentage in Horizon Organic; (iii) Dean Foods' voting ownership percentage in Horizon Organic may not exceed twenty-five percent (25%) without the consent of Horizon Organic (the "Standstill Obligation"); (iv) Dean Foods is required, so long as its fully diluted ownership percentage is at least five percent (5%), to attend all duly held stockholders meetings and to vote its shares of common stock, subject to certain limitations, (a) for management's nominees to the Board, (b) to approve amendments to Horizon Organic's equity incentive plans that increase the number of shares reserved for issuance, and (c) to approve amendments to Horizon Organic's certificate of incorporation that increase the authorized capital stock; (v) Dean Foods is prohibited from soliciting proxies with respect to any of Horizon Organic's voting securities or from becoming a participant in an election contest with respect to the election of Horizon Organic's directors; (vi) there are certain restrictions on Dean Foods' transfer of Horizon

Organic stock; (vii) Dean Foods is granted various rights, including a right of first negotiation to acquire Horizon Organic, registration rights and a right of first refusal if one of certain Dean Foods' competitors offers to purchase stock from Horizon Organic; and (viii) Dean Foods must vote in favor of an acquisition of Horizon Organic by a third party if approved by the Board.

Also, pursuant to the 1998 Stock Purchase Agreement, Dean Foods entered into a Major Stockholder Agreement (the "Major Stockholder Agreement") with certain other Horizon Organic investors (the "Major Stockholders"), which contains provisions relating to the common stock. Pursuant to the Major Stockholder Agreement, each of the Major Stockholders granted to Dean Foods a right of first negotiation to acquire any shares of common stock that such Major Stockholder intends to sell in private resale and which shares were: (i) held by such Major Stockholder as of the date of the Major Stockholder Agreement, or (ii) acquired upon exercise of options or warrants outstanding as of such date. Furthermore, as long as Dean Foods is entitled to have a representative on the Board, each Major Stockholder must take such action as may be

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necessary so that all of the Major Stockholder's shares of common stock are voted for Dean Foods' designee representative on the Board. Finally, the Major Stockholder Agreement provides Dean Foods with a right of first refusal if one of certain Dean Foods' competitors offers to purchase a Major Stockholder's shares of common stock.

At the time of Dean Foods' acquisition of shares of Company common stock in 1998, it disclosed in a Schedule 13D filed with the SEC that it was acquiring its shares for investment purposes and that its intention was to review continuously and monitor its investment in Horizon Organic.

On September 15 and 16, 2002, Paul Repetto, a co-founder of the Company who was then a member of the Board, at his request, and in his individual capacity, met with Gregg Engles, the Chief Executive Officer of Dean Foods, and Michelle Goolsby, the Executive Vice President, General Counsel, Corporate Secretary and Chief Administrative Officer of Dean Foods and a member of the Board, in Dallas, Texas, to discuss the relationship between the Company and Dean Foods. They discussed the potential benefits of and alternatives to improving and expanding the strategic relationship between the Company and Dean Foods. This conversation focused the attention of Dean Foods on its relationship with Horizon Organic.

On October 23, 2002, Mr. Engles and Ms. Goolsby, at their request, met in Dallas, Texas, with Thomas D. McCloskey, Jr., Chairman of the Board, and Clark R. Mandigo II, an independent member of the Board, and indicated that Dean Foods' management was interested in exploring the possibility of acquiring the remaining shares of Horizon Organic common stock not owned by Dean Foods and requested that the Company permit Dean Foods to review confidential information of the Company.

On October 30, 2002, the Board met in executive session to consider the request from Dean Foods. Ms. Goolsby did not attend the executive session because she is the designated representative of Dean Foods on the Board pursuant to the Stockholder Agreement, and Richard L. Robinson also did not attend. Mr. Robinson has served on the Board since July 1996. In 1999, he became Co-Chief Executive Officer of Robinson Dairy, LLC when it was acquired by Dean Foods, and he has remained in that position. He did not attend the executive session because of his current relationship with Dean Foods, even though his relationship with Horizon Organic preceded his relationship with Dean Foods. During the executive session, the Board granted permission to management to provide confidential information to Dean Foods subject to the terms of a confidentiality agreement. In order to receive the confidential information from the Company, Dean Foods was required to execute a letter (the "Waiver Letter") whereby Dean Foods would have a period of forty-five (45) days in which to negotiate exclusively with respect to an acquisition of the Company, and thereafter, Dean Foods would waive its right of first negotiation pursuant to the Stockholder Agreement. The Company would then be permitted to negotiate an acquisition of the Company for six (6) months with any other party, free of Dean Foods' right of first negotiation. In addition, at its executive session, the Board approved the engagement of RBC to advise the Company in connection with the review of its strategic alternatives, including any possible sale of the Company or the continuation of its existing course as an independent

company, which might require raising additional capital. Prior to this time, the Board's strategy was to operate the Company as an independent public company. However, the Board recognized the risks in the Company's ability to continue to meet public market expectations for its continued growth and profitability and its need to raise additional equity capital to continue its growth.

On October 30, 2002, Dean Foods executed a confidentiality agreement to be effective October 29, 2002. Also on October 30, 2002, the Company executed an engagement letter with RBC. On November 18, 2002, the Company and Dean Foods executed the Waiver Letter.

Members of the Company's management and representatives of RBC met in person with members of Dean Foods' management and representatives of Goldman, Sachs & Co., Dean Foods' financial advisor ("Goldman"), in Dallas, Texas on November 19, 2002, to discuss the business and prospects of the Company. Thereafter, representatives of the Company and RBC, in numerous telephone conferences and meetings, provided Dean Foods and its advisors with additional, detailed information concerning the Company's business and prospects from a financial and legal perspective.

On November 21, 2002, the board of directors of Dean Foods held its regular quarterly meeting and received a report from management on due diligence and status regarding Horizon Organic.

On January 3, 2003, Dean Foods' exclusive negotiation right in the Waiver Letter expired.

The Board held a meeting on January 29, 2003, during which the directors of the Company, not including Ms. Goolsby and Mr. Robinson, met in executive session. The Board considered the strategic alternatives of a sale of the Company to Dean Foods or another company or the continuation of the Company's existing course as an independent company with the possibility of raising additional capital for continued growth.



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RBC presented information on these strategic alternatives. The Board did not reject either of these alternatives at that time. However, based upon the information presented, the Board authorized RBC to explore the level of interest in a potential acquisition of the Company by certain companies that it believed to be the most likely to have a high level of interest and financial capacity for such a transaction. At this point in time, Dean Foods had not submitted a proposal.

At a meeting of Dean Foods' board of directors on February 21, 2003, representatives from Goldman provided the board of directors with an overview of Horizon Organic, a status report on due diligence and a preliminary valuation analysis of the Company.

On February 26, 2003, a representative of Goldman informed a representative of RBC that Dean Foods was continuing to conduct due diligence and, while Dean Foods had not yet made a determination regarding valuation, based on its due diligence conducted to date, management of Dean Foods expected valuation to be in a range of \$18.00 to \$21.00 per share. Goldman also stated that Dean Foods might pay part of the consideration in any transaction in the form of stock. During subsequent discussions, RBC requested a more precise indication of value, and Goldman indicated that management of Dean Foods expected the potential valuation to be in the range of \$20.00 per share. Thereafter, at the direction of Mr. McCloskey, RBC informed Goldman that the Board believed the valuation of the Company was significantly higher and, therefore, that the Company was not interested in a transaction with Dean Foods.

On March 3, 2003, the Company instructed RBC to commence solicitation of other prospects. RBC contacted eleven (11) other prospects. Ten (10) of these prospects expressed interest and requested a package of public information. Three (3) of these prospects, along with their partners, executed confidentiality agreements and met with members of the Company's management and representatives of the Company's auditors and advisors, reviewed documents in the Company's data room and performed other substantial due diligence.

At a meeting of Dean Foods' board of directors on March 24, 2003, management reported that it had ceased due diligence with respect to Horizon Organic.

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On April 21, 2003, Mr. Engles and Ms. Goolsby met with Mr. McCloskey and Charles F. Marcy, the Company's President and Chief Executive Officer, in Broomfield, Colorado to discuss whether the parties had an interest in resuming due diligence which might change Dean Foods' perspective as to the possible valuation of the Company.

At a meeting on May 13, 2003, the Board held an executive session without the attendance of Ms. Goolsby or Mr. Robinson. Mr. Repetto was no longer a member of the Board because his term had expired on the same day. At the executive session, RBC reported on the level of interest of the prospects solicited, stating that two prospects, other than Dean Foods, remained interested in a possible acquisition transaction at that time. The members of the Board considered the continuation of Horizon Organic as an independent public company to be a viable strategy, but subject to the risks of continuing to meet public market expectations for its continued growth and profitability and its need to raise additional equity capital to continue its growth. They had previously considered making a public offering of additional shares of the Company's common stock to support its future growth. However, by the end of the first quarter of 2003, they had abandoned such an offering based upon the volatility of the Company's stock price, uncertain market conditions, and the Company's failure to sell its Idaho dairy farm. Accordingly, the members of the Board considered a potential sale of the Company given the interest that had been expressed by Dean Foods and the two other prospects. The full Board then reconvened and authorized the appointment of a Special Committee to consider, negotiate and make recommendations to the Board regarding any transaction involving a sale of the Company. The Board appointed Mr. McCloskey as the chairman of the Special Committee, directors Jamison, Paul, Gordon and Mandigo as voting members of the Special Committee, and Mr. Marcy as a non-voting member of the Special Committee. Ms. Goolsby and Mr. Robinson were not members of the Special Committee due to their relationships with Dean Foods. All voting members of the Special Committee were non-employee directors. Mr. Marcy was not a voting member because of the potential for a conflict of interest due to "change of control" provisions contained in his employment agreement with Horizon Organic. Mr. Marcy was appointed as a non-voting member of the Special Committee in order that the voting members would have the benefit of Mr. Marcy's knowledge of the Company, Dean Foods and the other prospects. Further, his participation would also enable him to better assist the Special Committee in fulfillment of its purposes.

On May 16, 2003, RBC delivered to the two prospects that remained interested in a possible acquisition transaction an invitation to submit bids by June 6, 2003. The invitation was not sent to Dean Foods, with whom discussions were continuing. On May 27, 2003, RBC delivered the form of an agreement and plan of merger providing for a cash-out merger of the Company, without addressing pricing, to the two prospects that received the May 16, 2003 letter. RBC and Horizon Organic continued to work with these prospects until June 28, 2003. Ultimately, no prospects submitted a bid in response to such invitation.

On June 13, 2003, at the request of counsel for Dean Foods, counsel for the Company provided to counsel for Dean Foods the form of agreement and plan of merger that had been provided to other prospects, which agreement provided for a cash-out merger of the Company,

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without addressing pricing. On June 25, 2003, counsel for Dean Foods provided to counsel for the Company written comments to the form of agreement and plan of merger, without addressing pricing.

On June 26, 2003, representatives of Goldman informed representatives of RBC that Dean Foods had expressed an interest in receiving an invitation to submit a bid with respect to a possible acquisition of the Company. Dean Foods made the request to avoid violating its Standstill Obligation under the Stockholder Agreement.

On June 26, 2003, the Special Committee held a telephonic meeting at which representatives of RBC reported on the status of discussions with the interested prospects. RBC reported that Dean Foods had expressed interest in receiving an invitation to submit a bid. RBC reported that there were no prospects other than Dean Foods then interested and capable of submitting a bid by July 3, 2003,

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the date on which the Dean Foods waiver of its right of first negotiation under the Stockholder Agreement would expire. In addition, RBC reported its belief that based on conversations with representatives of Goldman, Dean Foods might be willing to offer between \$23.00 and \$25.00 per share, subject to authorization by its board of directors and receipt of a waiver of its Standstill Obligation from the Company. The Special Committee understood that such range represented the belief of RBC only, and that the board of directors of Dean Foods had not yet acted upon the matter. RBC also reported that Dean Foods' management desired to present the matter for consideration by its board of directors at a meeting being held late in the afternoon of June 27, 2003. The Special Committee considered the information presented by RBC including a valuation analysis concerning valuation and the results of the efforts to obtain other bidders.

The valuation analysis presented by RBC to the Special Committee on June 26, 2003 is identical in all material respects to the report presented to the Board on June 29, 2003, as described more fully in "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22, except that (i) the June 29, 2003 report was updated to reflect the Company's and the comparable companies' common stock closing prices on June 27, 2003; (ii) the June 26, 2003 report did not contain the premium analysis and the historical relative value performance for the Company, comparable companies, and the NASDAQ Composite Index; and (iii) the June 26, 2003 report presented the comparable company analysis based on a range of prices between \$23.00 per share and \$25.00 per share, in \$0.50 increments. The RBC report included valuation analyses based upon the last 12 months of Horizon Organic's financial results as of May 31, 2003, including the first quarter of 2003. The Company announced its first quarter results to the public by press release on May 5, 2003. Further on June 18, 2003, the Company announced through a press release that it had reached the milestone of \$200,000,000 in sales for the 12 months ended April 30, 2003. The Special Committee believed, at the time of its meeting on June 26, 2003, that the reported results and expectations for similar results in the future were reflected in the price of the Company's stock at that time. The Special Committee also believed that the Company's results of operations for the six months ended June 30, 2003 would be consistent with the guidance previously disclosed to the public. Also at the meeting on June 26, 2003, the Special Committee had considered the risks to the Company of continuing to meet public market expectations for its continued growth and profitability and its need to raise additional equity capital to continue its growth. The Special Committee then adjourned the meeting until the following morning, June 27, 2003, to allow the members to further consider the matter.

With respect to other prospective buyers approached by RBC since March 3, 2003, three prospects expressed an interest. One of these other three prospects completed preliminary due diligence and advised RBC on May 16, 2003 that it was no longer interested in pursuing a transaction. The second of these prospects had completed preliminary due diligence, but was not actively pursuing a transaction on June 28, 2003. The third of these prospects continued to perform due diligence until June 28, 2003. However, the Special Committee had doubts about this prospect's financial ability to consummate a transaction. Communication with the latter two prospects continued until June 28, 2003. The communications with each prospect focused on its gaining a better understanding of the Company's business so it could be in a position to provide an offer, if it determined it was in its interest to do so. During the due diligence process, each of these three other prospects communicated concerns about the proposed transaction based upon its perception of its respective inability to operate the Horizon Organic business in a manner that would enable it to achieve its desired returns. Ultimately, none of these other prospects made an offer to acquire the Company nor did any of these prospects indicate a desire to pursue a transaction after the announcement of the Merger.

At the reconvened meeting on June 27, 2003, the Special Committee decided that a cash price of \$24.00 per share or more was fair from a financial point of view and in the best interests of the Company and its stockholders. The Special Committee reached this conclusion based upon its judgment as to the historical price of the Company's shares, the valuation analysis in the RBC report of June 26, 2003, the results of the solicitation of other prospects, the risks to the Company of continuing to

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operate as an independent public company, the results of operations and the prospects of the Company, its knowledge of Dean Foods and the nature of the consideration to be received. (See "SPECIAL FACTORS: The Special Committee and its Recommendation: The Special Committee's Recommendation," p. 19).

The Special Committee did not disclose to Dean Foods its conclusion that the \$24.00 price was the lowest that it would accept. Rather, it authorized the Company's counsel to send a letter to counsel for Dean Foods waiving the Standstill Obligation and inviting a proposal from Dean Foods so long as (i) the proposal was at a price of at least \$24.00; and (ii) the negotiations could be successfully concluded by the end of the day on June 29, 2003. Further, the letter contained the qualification that the price per share could not be reduced by reason of the severance and retention program previously authorized by the Company (See "SPECIAL FACTORS: Interest of Certain Persons in the Merger, Other Related Party Transactions," p. 45) and acceleration of vesting of outstanding options (See "SPECIAL FACTORS: Treatment of Stock Options," p. 41). The Special Committee believed that it was important to conclude the negotiations of the Agreement and Plan of Merger on June 29, 2003 because the Dean Foods' waiver of its right of first negotiation pursuant to the Waiver Letter expired on July 3, 2003. The Special Committee believed it was more favorable to conclude the negotiations at a time when the remaining prospects could submit offers to purchase the Company rather than when Dean Foods had a right to negotiate exclusively. At this time, the Special Committee also authorized Mr. McCloskey to represent it in the proposed negotiations.

Following the meeting, the Company's counsel delivered such letter by e-mail to counsel for Dean Foods. Counsel for Dean Foods indicated by return e-mail to counsel for the Company that he was not authorized to receive any information concerning pricing.

Late in the afternoon of June 27, 2003, the board of directors of Dean Foods met in a special meeting to consider making a proposal to acquire Horizon Organic. Management, outside counsel and advisors to Dean Foods, including Goldman, made presentations, and management and Goldman presented a limited valuation analysis of Horizon Organic. The board of directors of Dean Foods authorized an offer for Horizon Organic at a price of \$23.00 per share, subject to receipt of a waiver of the Standstill Obligation. The board of directors of Dean Foods also authorized its Executive Committee to increase the offer to \$24.00 per share if necessary.

Following the meeting of the board of directors of Dean Foods, counsel for the Company and representatives of RBC met with members of Dean Foods' management, counsel for Dean Foods and representatives of Goldman. Dean Foods informed the Company that its board of directors had approved the commencement of an effort to acquire Horizon Organic through a cash-out merger at a price of \$23.00 per share, subject to receipt of a waiver of the Standstill Obligation. Mr. McCloskey and Mr. Engles conducted negotiations regarding pricing in two separate telephone discussions and finally agreed to a merger price of \$24.00 per share, which Mr. McCloskey would recommend to the Board and Mr. Engles would recommend to his Executive Committee. Thereafter, counsel for the Company executed and delivered to counsel for Dean Foods a letter, effective June 27, 2003, confirming the Company's invitation, without any reference to price, to submit a bid.

Thereafter, the representatives of the Company and Dean Foods continued to negotiate the terms of the Agreement and Plan of Merger.

During the morning of June 28, 2003, the Special Committee met and received a report from RBC and Company counsel with respect to the status of the negotiations. The valuation presented by RBC to the Special Committee on June 28, 2003 is identical in all material respects to the report presented to the Board on June 29, 2003, as described more fully, in "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22. Upon review of the valuation factors discussed at its previous meeting as well as the report of the negotiations, the Special Committee by unanimous vote of its voting members authorized the Company's representatives to proceed with the negotiation of a

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definitive merger agreement with a price of \$24.00 per share without reduction for the costs of the severance and retention program and the acceleration of vesting of all Horizon Organic options granted to employees and directors of Horizon Organic prior to July 22, 2003, subject to approval of the Board at its meeting scheduled for June 29, 2003. The Special Committee selected the \$24.00 per share amount based upon its judgment as to the historical price of the Company's shares, the valuation analysis in the RBC report of June 28, 2003, the results of the solicitation of other prospects, the risks to the Company of continuing to operate as an independent public company, the results of operations and the prospects of the Company, its knowledge of Dean Foods and the nature of the consideration to be received. The Special Committee also considered recently reported results and the Company's guidance disclosed to the public. The Special Committee believed that the \$24.00 per share price represented a significant premium over a market price that already reflected the recently published reports concerning the favorable results of the Company's operations. The Special Committee believed the Company's market price also reflected, to some extent, the expected growth rate of the organic foods industry. The Special Committee also believed there was considerable risk in the Company's ability to maintain performance levels into the future required to achieve and maintain a stock price equal to or greater than that offered by Dean Foods. (See "SPECIAL FACTORS: The Special Committee and its Recommendation: The Special Committee's Recommendation," p. 19).

On June 28, 2003, the Executive Committee of the board of directors of Dean Foods authorized the Cash Merger Consideration of \$24.00 per share. The representatives of the Company and Dean Foods continued to negotiate and finalize the Agreement and Plan of Merger through June 29, 2003. These negotiations: (i) established that Dean Foods would offer to assume all then-outstanding Company stock options and substitute similar rights to acquire shares of the common stock of Dean Foods; (ii) established that the Company stock options granted prior to July 22, 2003 would be accelerated so as to be fully vested at closing; (iii) clarified the representations and warranties of the Company; (iv) clarified the Company's covenants regarding non-solicitation of other proposals and the conduct of its business pending closing, including specific provisions regarding the business that the Company could conduct and the acquisitions and sales of certain assets that could occur without the consent of Dean Foods; (v) established the amount of the termination fee at \$10,000,000 and the maximum expense reimbursement at \$2,000,000; and (vi) clarified the conditions under which the Agreement and Plan of Merger can be terminated.

Late in the afternoon on June 29, 2003, the Company's Board met by telephone. RBC rendered its oral opinion to the Special Committee and the Board that, as of that date and subject to the assumptions, qualifications and limitations set forth in its written opinion that was concurrently delivered to the Special Committee and the Board, the Cash Merger Consideration to be paid in the proposed Merger was fair, from a financial point of view, to the holders of Horizon Organic common stock. (See "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22, as well as the full text of the RBC opinion contained in Appendix B, for the assumptions, qualifications and limitations set forth in RBC's opinion, as well as the presentation made by RBC to the Special Committee and the Board in connection with its opinion). Also, counsel for the Company discussed the material terms of the draft of the Agreement and Plan of Merger, a copy and summary of which had been provided to the members of the Board the previous evening. Without dissent, the Board, with Ms. Goolsby and Mr. Robinson abstaining, then approved the Merger and execution of the Agreement and Plan of Merger and, further, resolved that the matter be submitted to a vote of the Company's stockholders with the Board's recommendation for approval.

The Agreement and Plan of Merger was then executed by the parties on the evening of June 29, 2003.

On June 30, 2003, the Company and Dean Foods issued a joint press release at approximately 8:30 a.m. Eastern time announcing the signing of the Agreement and Plan of Merger.

### **Certain Potential Director Conflicts of Interest**

The proposed Merger involves a potential conflict of interest because Dean Foods is a significant stockholder in Horizon Organic and two employees of Dean Foods or a wholly-owned subsidiary of Dean Foods, Ms. Goolsby and Mr. Robinson, serve as directors of Horizon Organic. Ms. Goolsby is the designated representative of Dean Foods pursuant to the Stockholder Agreement. Additionally, Ms. Goolsby holds 1,245 shares of Horizon Organic common stock (representing less than one-tenth of one percent of the issued and outstanding Horizon Organic common stock), which shares were awarded by Horizon Organic as compensation for services rendered as a director of Horizon Organic. Horizon Organic also granted to Ms. Goolsby options to acquire an aggregate of 21,000 shares of Horizon Organic common stock as follows: (i) 3,000 shares at an exercise price of \$9.50 on May 16, 2000, (ii) 6,000 shares at an exercise price of \$7.00 on May 16, 2001, (iii) 6,000 shares at an exercise price of \$17.79 on May 14, 2002, and (iv) 6,000 shares at an exercise price of \$13.59 on May 13, 2003, each of which options vests in equal annual increments over a five year period after the date of grant. None of these options has been exercised, and Ms. Goolsby intends to surrender and cancel her options immediately prior to the Merger.

Horizon Organic granted Mr. Robinson options to acquire an aggregate of 24,000 shares of Horizon Organic common stock as follows: (a) 3,000 shares at an exercise price of \$16.06 on May 12, 1999; (b) 3,000 shares at an exercise price of \$16.06 on May 16, 2000; (c) 6,000 shares at an exercise price \$7.00 on May 16, 2001; (d) 6,000 shares at an exercise price of \$17.79 on May 14, 2002; and (e) 6,000 shares at an exercise price of \$13.59 on May 13, 2003, each of which options vests in equal annual increments over a five year period after the date of grant. In addition to the above options, Mr. Robinson is the beneficial owner of 56,092 shares of the Company's common stock.

Ms. Goolsby and Mr. Robinson may have interests in the Merger that are different from, or are in addition to, the interests of the other common stockholders of the Company.

All of the members of the Board, in addition to Ms. Goolsby and Mr. Robinson, hold Horizon Organic stock options. The Board intends to exercise its power to accelerate the vesting of all stock options that were granted prior to July 22, 2003, in order to permit them to be exercised in connection with the completion of the Merger. The acceleration and exercise of such options will not decrease the Cash Merger Consideration to be paid to each common stockholder.

The Special Committee and the Board believe that all potential conflicts of interest have been fully disclosed and that these potential conflicts of interest have not affected their conclusions and recommendations with respect to the Merger. Ms. Goolsby and Mr. Robinson were not members of the Special Committee and abstained from voting on the Merger and related matters as members of the Board.

### **The Special Committee and Its Recommendation**

#### **The Special Committee**

At a meeting of the Board on May 13, 2003, the Board authorized the appointment of a Special Committee to consider, negotiate and make recommendations to the Board regarding any transaction involving a possible sale of the Company. Mr. McCloskey was appointed as the chairman of the Special Committee; directors Jamison, Paul, Gordon and Mandigo, all members of the Board, were appointed as voting members of the Special Committee; and Mr. Marcy was appointed as a non-voting member of the Special Committee. Ms. Goolsby and Mr. Robinson were not included on the Special Committee, did not receive reports concerning a possible sale of the Company and, further, did not participate in any of the Board discussions regarding the sale of the Company prior to the Board meeting on June 29, 2003. The Special Committee was established to remove directors with relationships with any potential acquirers from any knowledge of or participation in the process of considering, negotiating and deciding on a recommendation to the Board concerning the transfer of all of the Company's

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business. A majority of directors who are not employees of the Company did not retain an unaffiliated representative to act solely on behalf of unaffiliated stockholders for purposes of negotiating the terms of the Merger. The Company had engaged RBC to advise it in connection with its review of strategic alternatives and, if requested, to furnish an opinion concerning the fairness of any transaction involving the transfer of Horizon Organic's stock or assets.

#### **The Special Committee's Recommendation**

On June 28, 2003, the Special Committee recommended to the Board that it proceed with the Merger. The Special Committee believed it had obtained sufficient information to support its opinion and belief as follows: (1) that the Merger was fair to the unaffiliated stockholders on a substantive basis; (2) that the consideration of the Merger and its negotiation were accomplished in a manner that provided for meaningful procedural protection of the unaffiliated stockholders; and (3) that the timing of the Merger was in the best interest of the Company's unaffiliated stockholders.

The Special Committee believes that the following support its belief and opinion as to the substantive fairness to the unaffiliated stockholders: (1) all stockholders affiliates and unaffiliated are to receive the same price per share; (2) the price represents fair value in relation to current market prices, historical market prices and net book value of the Company; and (3) the Company has received no other firm offer relative to the sale of the Company.

The Special Committee believes that the following support its belief and opinion that appropriate procedures were followed to assure independent consideration of the proposed Merger and to assure that such consideration would result in a recommendation that would be fair to the unaffiliated stockholders: (1) the Board excluded Dean Foods' representatives from meetings and discussions regarding a possible sale of the Company until the June 29, 2003 meeting; (2) the Board retained a reputable financial advisor to assist it in considering alternative courses; (3) the Board appointed a Special Committee to consider the Dean Foods proposal; (4) no affiliates of Dean Foods were members of the Special Committee; and (5) all of the members of the Special Committee were not employees of the Company, except Mr. Marcy who was a non-voting member. Because the Special Committee believed these procedural steps would ensure fairness, the Special Committee recommended the Merger without requiring that it be approved by a majority of unaffiliated stockholders and without retaining a representative to negotiate and prepare a fairness report on the Merger solely for the unaffiliated stockholders.

The following are the material factors that the Special Committee considered in reaching its belief and opinion as to the Merger's fairness to the unaffiliated stockholders:

(1) The cash price of \$24.00 per share to be paid in the Merger, (a) represents a premium of more than thirty percent (30%) over the \$18.37 average closing price for the Company's shares for the ten (10) trading days ending on June 27, 2003 (the last full trading date prior to the Company's announcement of the Merger), (b) represents a premium of more than forty-six percent (46%) over the \$16.38 average closing price of the Company's shares for the thirty (30) trading days ending on June 27, 2003, (c) represents a premium of more than sixty percent (60%) over the \$14.96 average closing price of the Company's shares for the sixty (60) trading days ending on June 27, 2003, and (d) represents a price higher than any closing price of the Company's shares in the history of the Company.

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(2) The financial presentation of RBC, including its opinion dated June 29, 2003 to the Special Committee and the Board that, as of that date and subject to the assumptions, qualifications and limitations set forth in its written opinion that was concurrently delivered to the Special Committee and the Board, the \$24.00 per share Cash Merger Consideration was fair, from a financial point of view, to Horizon Organic's common stockholders other than Dean Foods. (See "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22, as well as the full text of the RBC opinion contained in Appendix B, for the assumptions, qualifications and limitations set forth in RBC's opinion, and the

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presentation made by RBC to the Special Committee and the Board in connection with its opinion). Further, the Special Committee noted the relatively wide range of values on the various valuation methodologies presented by RBC and that in some cases the Cash Merger Consideration was below and in other cases above the mean and median of the range of values. The Special Committee decided to rely upon the RBC analyses that are summarized in "SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22. The Special Committee believed that the wide variation of numbers derived from the different analytical approaches employed by RBC made it more important to rely on RBC's opinion as to fairness taken as a whole. Further, the Special Committee concluded that the credibility of RBC and its report were supported by the variety of findings that were presented. The Special Committee did not consider obtaining an updated fairness opinion from RBC following the release of the Company's financial results for the period ended June 30, 2003 since such results were consistent with the guidance the Company had previously provided to the public with respect to such period. These results were also consistent with the financial forecasts RBC relied upon in preparing its *Discounted Cash Flow*, *Comparable Company*, and *Precedent Transaction* analyses, including actual results for the Company through May 31, 2003.

(3) The fact that the Agreement and Plan of Merger, including the Cash Merger Consideration, was approved by a majority of the directors who were not employees of the Company.

(4) The fact that none of the other prospects contacted had presented a bid to the Company.

(5) The belief that Dean Foods was the most likely potential acquirer to submit a premium bid because of its historical knowledge of the Company, the size and scale of its dairy operations, its interest in the growth of its branded products portfolio and its financial capacity.

(6) The fact that the Agreement and Plan of Merger under certain circumstances allows the Company a reasonable opportunity to respond to certain third party alternative acquisition proposals and, if a superior proposal is made, to terminate the Agreement and Plan of Merger and accept the superior proposal subject to certain limitations, including the payment of a ten million dollar (\$10,000,000) termination fee and an expense reimbursement of up to two million dollars (\$2,000,000).

(7) The fact that the Company has been unable to execute agreements for the sale of its Idaho farm within the previously anticipated timeframe.

(8) The fact that the Board had previously considered and, during the first quarter of 2003, had abandoned the making of a public offering of shares of the Company's common stock to raise additional equity to support its future growth due to its inability to sell the Idaho farm, the volatility of the Company's stock price and uncertain market conditions at the time.

(9) The fact that the offer is for all cash without a financing contingency.

(10) The belief that \$24.00 per share represents the highest price it could negotiate with Dean Foods or any other potential acquirer. This belief as to Dean Foods derives from the initial offer of \$23.00 per share authorized by Dean Foods' board of directors on June 27, 2003, and the subsequent negotiations conducted by Mr. McCloskey, on behalf of Horizon Organic, and Mr. Engles, on behalf of Dean Foods. Notwithstanding RBC's belief expressed to the Special Committee on June 26, 2003 as to the range of prices that might be available, Dean Foods specifically indicated that it was unwilling to offer more than \$24.00 per share. The Special Committee's belief as to the price that might be offered by other potential acquirers derives from the fact that no other prospect had made an offer.

(11) The Merger would resolve any risks to the Company of meeting public market expectations for its continued growth and profitability. The Merger would also eliminate significant expenses related to legal and regulatory compliance.

(12) As the Cash Merger Consideration of \$24.00 per share far exceeded the Company's net book value (\$6.33 per share as of March 31, 2003), the net book value was not deemed a relevant consideration.

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(13) The belief that the Merger would help promote the expansion of the organic food industry because Dean Foods has the financial resources to accelerate the growth of Horizon Organic.

(14) Two common measures of going concern value were presented to the Special Committee by RBC in its presentation of the *Discounted Cash Flow* and *Comparable Company* analyses, and the Cash Merger Consideration was within the valuation ranges implied by these two analyses. (See SPECIAL FACTORS: Opinion of Horizon Organic's Financial Advisor," p. 22). The Special Committee relied upon and adopted RBC's analyses as a whole, including the *Discounted Cash Flow* and *Comparable Company* analyses as measures of going concern value included in RBC's analyses.

(15) The Special Committee did not believe that liquidation value would provide a relevant measure of Horizon Organic's value. The Special Committee believed that the value of the business as a going concern exceeded the value of the business should it be sold in pieces, net of costs of shutting down operations and terminating contractual obligations. Accordingly, the Special Committee did not direct RBC to conduct an appraisal of Horizon Organic's assets for the purposes of assessing liquidation value. The Company has not purchased or offered shares of its common stock in the past two years except as described under the heading *Prior Stock Purchases* on page 48 of the Proxy Statement with respect to purchases made by the Company's 401(k) Plan. Accordingly, the Special Committee did not consider purchase prices for its common stock previously paid by the Company.

The Special Committee also considered negative factors concerning the Merger, but determined that these factors were outweighed by the benefits supporting the Merger. These negative factors included the following:

(1) The Agreement and Plan of Merger prohibits the Company and its representatives from soliciting third party bids and from accepting third party bids except in specified circumstances, including the payment of a termination fee and reimbursement of expenses in amounts considered reasonable.

(2) Following the Merger, the Company will be wholly-owned by Dean Foods, and its current stockholders will cease to participate in future earnings, if any, or growth in value, if any, of the Company.

(3) Pending closing, the Agreement and Plan of Merger requires the Company to obtain the consent of Dean Foods to engage in certain transactions (generally those outside the course of normal operations).

(4) Any earnings of the Company prior to closing will accrue to the benefit of Dean Foods without adjustment to the Cash Merger Consideration if the Merger is closed.

(5) The possibility that the Merger might not be consummated.

(6) The potential adverse effects of the public announcement of the Merger on the Company's sales and operating results, ability to attract and retain key employees and ability to enter into and maintain key relationships with its suppliers, processors and distributors.

(7) The possibility that the earnings of the Company prior to the closing of the Merger might exceed the expected earnings of the Company (as of the date of this Proxy Statement, no such event has occurred).

The Merger does not require the approval of at least a majority of the Company's common shares held by persons who are unaffiliated with the Company. Additionally, a majority of directors who are not employees of the Company did not retain an unaffiliated representative to act solely on behalf of the unaffiliated holders of the Company's common shares. RBC was retained for the purposes of advising the Board and the Special Committee on negotiating the terms of the Merger and preparing a report concerning the fairness of the Cash Merger Consideration. The Special Committee believes that

because steps were taken to exclude the members of the Board with a relationship to Dean Foods from participation on the Special Committee and from any Board vote on the Merger, the engagement of RBC as adviser to the Special Committee and the Board, the efforts to solicit other prospects, the absence of special consideration in the Merger to the Company's directors (other than the acceleration of all of Horizon Organic's stock options), the limited ownership of the Company's common shares by Dean Foods and the restrictions on the activities on Dean Foods as

set forth in the Stockholder Agreement, approval of the Merger by a majority of the Company's outstanding common shares (including those held by Dean Foods and the Company's directors and management) provides meaningful procedural protections to the Company's common stockholders who are unaffiliated with the Company.

Accordingly, the Special Committee believes that the Merger is substantively and procedurally fair to the unaffiliated holders of the Company's common shares.

#### **Compensation for Members of the Special Committee and the Board**

Pursuant to the Company's compensation policy for directors who are not employees of the Company, Mr. McCloskey, Mr. Gordon, Mr. Mandigo, Ms. Jamison and Ms. Paul each received \$500 for each of the two meetings of the Special Committee that they attended. No other compensation was paid to the Special Committee. Each member of the Board, other than Mr. Marcy, received \$1,500 for attending the June 29, 2003 meeting of the Board.

#### **The Board's Recommendation**

The Board concluded that the Cash Merger Consideration is fair to the Company's common stockholders and approved the execution of the Agreement and Plan of Merger. The Board directed that it be submitted to the Company's common stockholders with the Board's recommendation for approval. In its consideration of the Agreement and Plan of Merger, the Board adopted the analysis and conclusions of the Special Committee and RBC with respect to the fairness of the Cash Merger Consideration. The Board believes that both the Agreement and Plan of Merger and the Merger are fair to Horizon Organic's common stockholders, including stockholders who are not affiliates of Horizon Organic, and that the Cash Merger Consideration permits the Company's stockholders to realize a significant premium over market prices of the Company's common stock. No member of the Board dissented from voting to recommend the Agreement and Plan of Merger and the Merger to the Company's stockholders. Ms. Goolsby and Mr. Robinson abstained from such vote because each is affiliated with Dean Foods.

#### **Opinion of Horizon Organic's Financial Advisor**

Horizon Organic, acting through the Board, retained RBC under an engagement letter dated October 30, 2002, to act as financial advisor to Horizon Organic in connection with a review of its strategic alternatives and, if requested, to furnish an opinion as to the fairness to Horizon Organic or the Horizon Organic stockholders (as applicable), from a financial point of view, of the consideration to be received by Horizon Organic or its stockholders in connection with any possible transaction involving the acquisition of Horizon Organic's stock or assets. RBC was neither retained for the purpose of making a recommendation nor did it make a recommendation as to the amount of the consideration to be paid in the Merger. Its engagement was to review the fairness of the consideration to which the parties had agreed through negotiation.

On June 29, 2003, RBC rendered its oral opinion, which was confirmed by delivery of its written opinion dated June 29, 2003, to the Board that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the Cash Merger Consideration, as defined below, was fair, from a financial point of view, to the Horizon Organic stockholders other than Dean Foods.

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**THE FULL TEXT OF RBC'S WRITTEN OPINION, WHICH SETS FORTH ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS ON THE REVIEW UNDERTAKEN BY RBC, IS ATTACHED TO THIS PROXY STATEMENT AS APPENDIX B. THE SUMMARY OF THE OPINION BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION. HORIZON ORGANIC URGES STOCKHOLDERS TO READ THE RBC OPINION CAREFULLY AND IN ITS ENTIRETY.**

On October 30, 2002, by letter agreement, the Company engaged RBC for a term of one year to begin immediately. Overall, the Company retained RBC to provide certain services in connection with any transaction or series thereof where there would be transferred, directly or indirectly, a controlling interest in the Company. The letter agreement placed no limitations upon RBC in the preparation of its report on the fairness of the Merger. None of the Board or any of the Company's affiliates, including Dean Foods, imposed any limitations on the scope of, or gave instructions regarding RBC's opinion.



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RBC's opinion was provided for the information and assistance of the Board in connection with its consideration of the Merger. RBC did not recommend to the Board or the Special Committee the amount of consideration to be paid in the Merger. RBC was authorized by the independent members of the Board to solicit other potential purchasers of Horizon Organic in addition to Dean Foods. RBC engaged in discussions with several potential acquirers regarding the acquisition of all or a part of Horizon Organic's common stock. RBC did not express any view as to, and its opinion did not address, the merits of Horizon Organic's underlying decision to engage in the Merger or the relative merits of the Merger compared to any alternative business strategy or transaction in which Horizon Organic might engage.

RBC's opinion and presentation to the Board were only two of many factors taken into consideration by the Board in making its determination to adopt and approve the Agreement and Plan of Merger. RBC's opinion does not constitute a recommendation to Horizon Organic stockholders as to how they should vote on the adoption and approval of the Agreement and Plan of Merger.

RBC's opinion addressed solely the fairness, from a financial point of view, of the Cash Merger Consideration to the Horizon Organic stockholders and did not address in any way any other Merger terms or agreements including, without limitation, the financial or other terms of any voting or employment agreement.

In rendering its opinion, RBC assumed and relied upon the accuracy and completeness of the financial, legal, tax, operating and other information provided to it by Horizon Organic (including, without limitation, the financial statements and related notes of Horizon Organic). RBC did not assume responsibility for independently verifying, and did not independently verify, this information.

Included in the information (summarized below) reviewed by RBC in connection with its review of the Merger and the preparation of its opinion were historical financial information and financial forecasts for continuing operations prepared by Horizon Organic, and Horizon Organic's forecast regarding the sale of the assets related to discontinued operations, referred to in this section and the opinion of RBC as the "Company Financials." In preparing its opinion, RBC relied, without independent investigation, on the advice received from Horizon Organic that the Company Financials were prepared by Horizon Organic's management in good faith and in the ordinary course of business for use by Horizon Organic. Horizon Organic advised RBC that RBC's use of the Company Financials in connection with RBC's fairness analysis and the preparation of RBC's opinion had been authorized by the Board. In addition, RBC assumed that Horizon Organic would perform substantially in accordance with the financial forecasts included in the Company Financials.

In rendering its opinion, RBC did not assume any responsibility to perform, and did not perform, an independent evaluation or appraisal of any of Horizon Organic's assets or liabilities, and RBC was

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not furnished with any valuations or appraisals of these types. In addition, RBC did not assume any obligation to conduct, and did not conduct, any physical inspection of Horizon Organic's property or facilities.

RBC assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Agreement and Plan of Merger were true and correct, that each party would perform all of its covenants and agreements under the Agreement and Plan of Merger, and that all conditions to the consummation of the Merger would be satisfied without waiver.

RBC's opinion spoke only as of the date it was rendered, was based on the conditions as they existed and information with which it was supplied as of such date, and was without regard to any market, economic, financial, legal, or other circumstances or event of any kind or nature which might exist or occur after such date. Unless otherwise noted, all analyses were performed based on market information available as of June 27, 2003 (the last trading day following the end of which its analysis was finalized and its opinion rendered).

In connection with its review of the Merger and the preparation of its opinion, RBC undertook the review and inquiries and performed other studies and analyses it deemed necessary and appropriate under the circumstances, including:

reviewing and analyzing certain publicly available financial and other data with respect to Horizon Organic and certain other relevant historical operating data relating to Horizon Organic made available to RBC from published sources and from the internal records of Horizon Organic;

conducting discussions with members of the senior management of Horizon Organic with respect to the business prospects and financial outlook of Horizon Organic;

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reviewing the Company Financials;

reviewing the reported prices and trading activity for the common stock of Horizon Organic;

comparing the financial performance of Horizon Organic and the prices and trading activity of Horizon Organic common stock with that of other comparable publicly-traded companies and their securities;

participating in certain discussions and negotiations among representatives of Dean Foods and its respective financial and legal advisors; and

reviewing the financial terms of the execution copy dated June 29, 2003 of the Agreement and Plan of Merger (RBC assumed in its opinion that the executed version of the Agreement and Plan of Merger would not differ, in any respect material to its opinion, from the execution copy).

In arriving at its opinion, in addition to reviewing the matters listed above, RBC performed the following analyses:

RBC compared the financial metrics, to the extent publicly available, of certain selected precedent transactions with the financial metrics implied by the Cash Merger Consideration;

RBC prepared a discounted cash flow analysis using the Company Financials; and

RBC compared selected market valuation metrics of Horizon Organic and other comparable publicly-traded companies with the metrics implied by the Cash Merger Consideration.

In connection with the rendering of its opinion to the Board, RBC prepared and delivered to the Special Committee and Board written materials containing the analyses listed above and other information material to the opinion. Those written materials, dated June 29, 2003, as well as earlier

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interim sets of materials delivered to the Special Committee on June 26, 2003 and June 28, 2003, have been filed with the SEC as exhibits to the Schedule 13E-3 Transaction Statement in which this Proxy Statement was cross referenced. RBC's opinion and those presentations will be made available for inspection and copying at Horizon Organic's principal executive offices during its regular business hours by any interested security holder of Horizon Organic or any representative of the holder which has been so designated in writing. The foregoing 13E-3 Transaction Statement, Proxy Statement and presentations may be accessed through the Horizon Organic website, [www.horizonorganic.com](http://www.horizonorganic.com).

Set forth below is a summary of RBC's analyses, including information presented in tabular format. To fully understand the summary of the analyses used by RBC, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analysis.

*Historical Common Stock Performance.* RBC conducted a historical analysis of the closing price of Horizon Organic's common stock based on closing prices on the Nasdaq National Market and also examined prices of a peer group of publicly-traded organic/healthy food manufacturing and retailing companies (this peer group of "Comparable Companies" is listed in the discussion of RBC's Comparable Company Analysis later in this section).

RBC noted that in the period from January 1, 2001 until June 27, 2003, Horizon Organic's closing stock price ranged between \$4.44 and \$19.38, and averaged \$12.73 per share.

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RBC also noted that for the twelve months ended June 27, 2003, Horizon Organic's closing stock price ranged between \$11.07 and \$19.38, and averaged \$14.97 per share.

RBC also pointed out that in the period from January 1, 2001 until June 27, 2003, Horizon Organic's stock outperformed the Comparable Companies as well as the NASDAQ Composite index. Specifically, Horizon Organic's stock appreciated 326.6% over this period, while the NASDAQ Composite index declined by 34.2%. The Comparable Companies ranged from down 51.0% to up 157.6%.

*Premium Analysis.* RBC calculated the premium implied by the \$24.00 Cash Merger Consideration relative to certain base prices. The table below sets forth RBC's premium analysis:

Description of Base	Base Price	Premium Implied by \$24.00
10 trading day prior average	\$ 18.37	30.7%
30 trading day prior average	\$ 16.38	46.5%
60 trading day prior average	\$ 14.96	60.4%
52 week high	\$ 19.38	23.8%
52 week low	\$ 11.07	116.8%

RBC noted that the premium analysis does not constitute a valuation technique as such, but serves as a comparison of the proposed cash consideration to various base prices.

*Precedent Transaction Analysis.* RBC prepared a precedent transaction analysis of Horizon Organic's implied transaction multiples relative to corresponding multiples of fifteen acquisitions of branded food and beverage companies that RBC deemed similar to Horizon Organic (collectively referred to as the "Selected Precedents"). In this analysis, RBC compared, among other things, the enterprise value of Horizon Organic implied by the \$24.00 Cash Merger Consideration, expressed as a multiple of revenue, EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) for the actual twelve months ended May 31, 2003, to the respective average, median, minimum and maximum enterprise value multiples of the Selected Precedents. In addition, RBC compared, among other things, the \$24.00 Cash Merger Consideration, expressed as a multiple of actual earnings per share for the twelve months ended May 31, 2003, to the respective average, median, minimum and maximum price-to-earnings multiples of the Selected

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Precedents. For the purposes of RBC's analysis, enterprise value was defined as market capitalization, or equity value, plus long-term debt (including the current portion thereof), market value of preferred stock and minority interest, less cash and cash equivalents and less the estimated value of Horizon Organic's discontinued operations. In performing this analysis, RBC analyzed the following fifteen transactions:

Date	Acquirer	Target
December 2002	Hain Celestial Group Inc.	Imagine Foods Inc.
May 2002	Dean Foods Company	White Wave Inc.
March 2002	Cadbury Schweppes	Nantucket Nectars
October 2001	Coca-Cola Co.	Odwalla Inc.
October 2001	Group Danone	Stonyfield Farm
October 2000	Pepsico Inc.	South Beach Beverage
April 2000	Unilever NV	Ben and Jerry's Homemade Inc.
March 2000	Hain Food Group Inc.	Celestial Seasonings Inc.
February 2000	Nestle SA	PowerBar Inc.
January 2000	Kraft Foods	Balance Bar Co.
January 2000	Kraft Foods	Boca Burger Inc.
December 1999	Rexall Sundown Inc.	MET-Rx Nutrition Inc.
October 1999	Kellogg Company	Worthington Foods Inc.
April 1999	Hain Food Group Inc.	Natural Nutrition Group Inc.
April 1999	Cadbury Schweppes	Hawaiian Punch

The date is the public announcement date of the offer price. Although none of these transactions involved the acquisition of the target by an affiliate of the target, RBC used the Selected Precedents because they were acquisitions of branded food and beverage companies that RBC felt were similar to Horizon Organic. RBC selected these 15 transactions because, in its judgment, in each case the target was generally reasonably similar to Horizon Organic with regard to, among other things, size and branded product offerings, and because the transactions occurred during a period that RBC considered relevant for this analysis. As noted under "Other Considerations," however RBC did not view any single company

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or transaction as directly comparable to Horizon Organic or the Merger.

For the purpose of calculating the multiples, revenue, EBITDA, EBIT and earnings per share were derived from the actual revenue, EBITDA, EBIT and earnings per share of the target companies in the last twelve months prior to the announcement of the transaction, or LTM, revenue, EBITDA, EBIT and earnings per share, respectively. Financial data regarding the Selected Precedents was derived from filings with the SEC, press releases and institutional investment research estimates publicly available as of June 27, 2003, and, in the case of Horizon Organic, the Company Financials.

The following table compares the Implied Transaction Multiples (set forth in the column below) for the proposed Merger with the corresponding average, median, minimum and maximum multiples for the Selected Precedents:

Enterprise value As a multiple of:	Implied Transaction Multiples	Precedent Transaction Analysis Multiples			
		Average	Median	Minimum	Maximum
LTM Revenue	1.4x	1.9x	1.7x	0.7x	3.5x
LTM EBITDA	27.3x	17.5x	16.0x	7.2x	30.2x
LTM EBIT	42.7x	30.6x	31.0x	10.1x	53.0x
Price as a multiple of:					
LTM Earnings Per Share	65.7x	47.1x	45.1x	16.2x	81.9x

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Aggregating the average, median, minimum and maximum data for the Selected Precedents, as set forth in the preceding table; this analysis resulted in an implied valuation range of \$4.91 to \$59.11 per share of Horizon Organic common stock.

*Discounted Cash Flow Analysis.* RBC performed a discounted cash flow analysis on Horizon Organic in which it analyzed the present (as of May 31, 2003) value of Horizon Organic's projected after-tax cash flows through 2007 at a range of discount rates and terminal EBITDA multiples. In performing this analysis, RBC:

based projected unlevered free cash flows on the Company Financials;

defined unlevered free cash flows as EBITDA less cash taxes on EBIT, capital expenditures and increases in working capital;

calculated terminal values by applying a terminal EBITDA multiple to Horizon Organic's projected 2007 EBITDA; and

determined a range of appropriate weighted average costs of capital or discount rates.

In making these calculations, RBC applied a range of terminal EBITDA multiples from 14.0x to 18.0x and a range of discount rates from 17% to 21%. RBC selected 17% to 21% as the appropriate range of discount rates by calculating the weighted average cost of capital for an optimally capitalized company similar to Horizon Organic 18.6%, or 19% when rounded, and then selected a range around that mid-point that it deemed appropriate. After deducting \$36 million for Horizon Organic's net debt (long term debt, including the current portion thereof, less cash and cash equivalents) and adding the estimated value of its discontinued operations, of \$20 million as of May 31, 2003, this analysis yielded the following per share equity values for Horizon Organic common stock:

Discount Rate	Terminal EBITDA Multiple				
	14.0x	15.0x	16.0x	17.0x	18.0x
17.0%	\$ 25.79	\$ 27.40	\$ 29.01	\$ 30.62	\$ 32.23
18.0%	\$ 24.95	\$ 26.51	\$ 28.06	\$ 29.62	\$ 31.17
19.0%	\$ 24.15	\$ 25.65	\$ 27.15	\$ 28.66	\$ 30.16

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### Terminal EBITDA Multiple

20.0%	\$ 23.38	\$ 24.83	\$ 26.28	\$ 27.73	\$ 29.18
21.0%	\$ 22.64	\$ 24.04	\$ 25.44	\$ 26.85	\$ 28.25

Aggregating the 17% to 21% discount rates and 14.0x to 18.0x terminal EBITDA multiples, as set forth in the preceding table, the discounted cash flow analysis resulted in an implied valuation range of \$22.64 to \$32.23 per share of Horizon Organic common stock.

*Comparable Company Analysis.* RBC prepared a comparable company analysis of Horizon Organic's implied transaction multiples relative to the multiples implied by the public trading prices of a peer group of Comparable Companies listed below. RBC compared, among other things, the enterprise value of Horizon Organic implied by the \$24.00 Cash Merger Consideration, expressed as a multiple of actual LTM revenue, EBITDA and EBIT ended May 31, 2003 and revenue, EBITDA and EBIT as estimated for calendar year, or CY, 2003, to the respective average, median, minimum and maximum enterprise value multiples of the Comparable Companies implied by the public trading prices of their common stock. In addition, RBC compared, among other things, the \$24.00 Cash Merger Consideration, expressed as a multiple of actual LTM earnings per share ended May 31, 2003 and earnings per share as estimated for CY 2003 to the respective average, median, minimum and maximum price-to-earnings multiples of the Comparable Companies implied by the public trading prices of their common stock. In making this comparison, RBC used the Company Financials in determining the relevant data for Horizon Organic and publicly available data as of June 27, 2003 (including published research reports and company press releases) for the Comparable Companies. In performing this analysis, RBC analyzed the following four companies: (i) Hain Celestial Group Inc.;

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(ii) Lifeway Foods Inc.; (iii) United Natural Foods Inc., and (iv) Wild Oats Markets Inc. (the "Comparable Companies").

RBC selected these four companies for the comparable company analysis because it concluded that this analysis should be performed relative to a peer group of publicly traded organic/healthy food manufacturing and retailing companies, as noted under "Other Considerations," however, RBC did not view any single company as directly comparable to Horizon Organic.

The following table summarizes RBC's comparison, made as of June 27, 2003, of the Implied Transaction Multiples, set forth in the column below, for the proposed Merger with the corresponding average, median, minimum and maximum multiples for the Comparable Companies (no control premium was reflected in the results of the public market trading multiples of the Comparable Companies):

Enterprise value as a multiple of:	Implied Transaction Multiples	Comparable Company Analysis Multiples			
		Average	Median	Minimum	Maximum
LTM Revenue	1.4x	1.1x	0.9x	0.4x	2.0x
CY 2003 Revenue	1.2x	1.0x	0.8x	0.4x	1.9x
LTM EBITDA	27.3x	11.3x	11.2x	7.9x	15.1x
CY 2003 EBITDA	22.8x	8.9x	8.5x	7.0x	11.6x
LTM EBIT	42.7x	16.2x	17.7x	10.3x	19.1x
CY 2003 EBIT	34.1x	13.0x	12.4x	8.8x	18.4x
Price as multiple of:					
LTM Earnings Per Share	65.7x	28.9x	27.4x	20.6x	40.1x
CY 2003 Earnings Per Share	54.5x	22.0x	19.6x	17.0x	31.6x

Aggregating the average, median, minimum and maximum data for the Comparable Companies, as set forth in the preceding table resulted in an implied valuation range of \$5.47 to \$37.07 per share of Horizon Organic common stock.

*Summary of Analyses.* Based on the three analyses described above, RBC noted that the Cash Merger Consideration was within the implied valuation range resulting from each analysis. RBC also noted that, (i) in the case of some of the analyses, as specifically set forth with respect to each analysis separately above, the Cash Merger Consideration was below the mean and median of the range, and (ii) in the case of others of the analyses, it exceeded the mean and median of the range. In reaching its opinion, RBC did not assign any particular weight to any one analysis, or the results yielded by that analysis, although RBC noted that none of its analyses, if viewed on a stand-alone basis failed to support its opinion. Rather, having viewed these results in the aggregate, RBC exercised its professional judgment in determining that, based on the aggregate of the analyses used and the results they yielded, the Cash Merger Consideration was fair, from a financial point of view to the Horizon Organic stockholders other than Dean Foods. RBC believed it was inappropriate to, and therefore did not, rely solely on the quantitative

results of the analyses and, accordingly, also made qualitative judgments concerning differences between the characteristics of Horizon Organic, the Merger and the data selected for use in its analyses, as further discussed under "Other Considerations" below.

*Other Considerations.* No single company or transaction used in the above analyses as a comparison is directly comparable to Horizon Organic or the Merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses, or transactions analyzed. The analyses were prepared solely for purposes of RBC providing an opinion as to the fairness, from a financial point of view, to the Horizon Organic stockholders other than Dean Foods of the Cash

Merger Consideration and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty.

The opinion of RBC as to the fairness to Horizon Organic's stockholders other than Dean Foods, from a financial point of view, of the Cash Merger Consideration was necessarily based upon market, economic, and other conditions that existed as of the date of its opinion and on information available to RBC as of that date.

The preparation of a fairness opinion is a complex process that involves the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Several analytical methodologies were used by RBC, and no one method of analysis should be regarded as critical to the overall conclusion reached. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusions of RBC were based on all the analyses and factors presented above taken as a whole and also on application of RBC's own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis, and RBC did not find it practicable to assign relative weights to the factors considered in reaching its opinion. RBC therefore believes that its analyses must be considered as a whole and that selecting portions of the analyses and of the factors considered, without considering all factors and analyses, could create an incomplete or misleading view of the processes underlying its opinion.

In connection with its analyses, RBC made, and was provided by Horizon Organic's management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Horizon Organic's control. Analyses based upon estimates of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Horizon Organic, none of Horizon Organic, RBC or any other person assumes responsibility if future results or actual values are materially different from these estimates or assumptions.

Horizon Organic selected RBC to act as its financial advisor, and render its opinion, based on RBC's experience in mergers and acquisitions and in securities valuation generally. Prior to the current engagement, Horizon Organic had considered a public offering and had pursued a potential transaction with RBC acting as lead manager. RBC also advised Horizon Organic in preliminary discussions concerning a potential acquisition of another company. RBC did not receive any compensation for its prior engagements since no transactions were ultimately consummated. RBC is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. In the ordinary course of business, RBC may act as a market maker and broker in the publicly traded securities of Horizon Organic and receive customary compensation in connection therewith. RBC also may actively trade Horizon Organic securities for its own account and the accounts of its customers, and, accordingly, may hold a long or short position in such securities.

Under the terms of the RBC engagement letter, Horizon Organic paid RBC a fairness opinion fee of \$500,000 in connection with the rendering of its opinion, which is creditable against the contingent transaction fee referred to below, but is not contingent on the closing of the Merger. In the event that a transaction of the kind covered by the engagement letter is completed during or within 12 months following the end of RBC's engagement, RBC will be entitled to the transaction fee and if the Merger is completed the transaction fee is estimated to be \$3.8 million. Horizon Organic and RBC believe that the opinion and transaction fees are customary for transactions of this nature. Whether or not the Merger closes, Horizon Organic has also agreed to reimburse RBC for its reasonable out-of-pocket

expenses and to indemnify it against liabilities relating to or arising out of services performed by RBC in connection with the Merger, including without limitation, liabilities arising under the federal securities laws. The terms of the engagement letter were negotiated at arm's-length between Horizon Organic and RBC, and the Special Committee and the Board were aware of this fee arrangement at the time of their consideration and approval of the Merger.

#### **Dean Foods' and Merger Sub's Position on Fairness**

Dean Foods and Merger Sub believe that the Merger is both substantively and procedurally fair to stockholders of the Company that are not affiliated with the Company or Dean Foods. The position of Merger Sub regarding the fairness of the Merger to unaffiliated stockholders of the Company as set forth in this section is identical to the position taken by Dean Foods as set forth in this section, as Merger Sub is a wholly owned subsidiary of Dean Foods created for the sole purpose of effectuating the Merger.

The following are the material factors that Dean Foods considered in making its determination as to the fairness of the Merger to the Company's unaffiliated stockholders:

(1) The cash price of \$24.00 per share to be paid in the Merger represents a significant premium above the Company's recent average share prices prior to June 27, 2003 (the last full trading date prior to the Company's announcement of the Merger). The Cash Merger Consideration represents a significant premium to the Company's historical closing stock prices, and Dean Foods believes the Cash Merger Consideration takes into account the Company's growth prospects, its recent financial performance and the risks associated with the Company.

(2) The similarity of Dean Foods' and Horizon Organic's businesses, the potential for the realization by Dean Foods of synergies and Dean Foods' interest in the growth of its branded products allowed it to submit a bid that was likely to be greater than other potential acquirers.

(3) The Agreement and Plan of Merger under certain circumstances allows the Company a reasonable opportunity to respond to certain third party alternative acquisition proposals and, if a superior proposal is made, to terminate the Agreement and Plan of Merger and accept the superior proposal subject to certain limitations, including the payment of a ten million dollar (\$10,000,000) termination fee and an expense reimbursement of up to two million dollars (\$2,000,000).

(4) The offer is for all cash without a financing contingency.

(5) Dean Foods did not consider the net book value as a relevant factor in determining the fairness of the Cash Merger Consideration because the \$24.00 Cash Merger Consideration far exceeded the net book value of the Company (\$6.33 per share as of March 31, 2003).

(6) In Goldman's reports to Dean Foods, which are discussed in detail below, Goldman presented several common measures of going concern value. Dean Foods adopted Goldman's analyses regarding going concern value. The Cash Merger Consideration was within and in some cases exceeded the valuation ranges implied by these analyses. (See SPECIAL FACTORS: "Report of Goldman, Financial Advisor to Dean Foods" p. 31).

(7) Dean Foods did not believe that liquidation value would provide a relevant measure of the Company's value because Dean Foods did not intend to liquidate the Company. Dean Foods believed that the value of the business as a going concern exceeded the value of the business should it be sold in pieces, net of costs of shutting down operations and terminating contractual obligations. Dean Foods believed that a portion of the value of Horizon Organic was attributable to the expected growth rate of the organic foods industry and potential growth of the Company's brands. This value could not be realized in a piecemeal sale. Therefore, Dean Foods did not instruct Goldman to conduct an appraisal

of Horizon Organic's assets for the purpose of assessing liquidation value and did not otherwise engage in any liquidation analysis of the Company.

(8) Dean Foods did not consider prior stock purchases of the Company's common stock except to the extent that it analyzed current and historical stock prices of the Company as discussed above. Furthermore, Dean Foods' prior stock purchases were not relevant measures of the value of the Company as Dean Foods' purchases of the Company's common stock occurred at the time of the initial public offering and otherwise at least four years prior to the execution of the Agreement and Plan of Merger. The Company's stock price was, at the time of each of Dean Foods' prior stock purchases, substantially below the Cash Merger Consideration, and Dean Foods believed that its valuation analysis, including its assumptions regarding the growth rate of the industry and the risks associated with the Company, had changed substantially since

such stock purchases. (See SPECIAL FACTORS: "Report of Goldman, Financial Advisor to Dean Foods" p. 31).

(9) Dean Foods was not aware of any firm offers that were made for the Company in the last two years by which to analyze the fairness of the Cash Merger Consideration.

(10) Dean Foods reviewed the reports provided by Goldman in determining the range of values it was willing to pay for the Company. The Cash Merger Consideration was within the range of valuations of the Company that Goldman provided to Dean Foods. (See SPECIAL FACTORS: "Report of Goldman, Financial Advisor to Dean Foods" p. 31).

Dean Foods also considered the following procedural factors:

(1) The Special Committee was made up of members of the Board that did not include individuals affiliated with Dean Foods. In its review of historical closing stock prices of the Company, Dean Foods considered closing stock prices beginning with the Company's initial public offering through June 29, 2003 (the date the Agreement and Plan of Merger was executed) and determined that the Cash Merger Consideration represented a price significantly higher than any closing stock price of the Company in the history of the Company.

(2) The Special Committee and the Board engaged RBC to advise them regarding the Merger and to provide a fairness opinion to the Special Committee and the Board.

(3) Dean Foods owns less than 13% of the Company's common stock.

(4) Dean Foods is restricted in its activities pursuant to the Stockholder Agreement.

(5) While Dean Foods and Horizon Organic's directors and management hold an aggregate of 26.09% of the Company's issued and outstanding common stock, the Merger is conditioned upon the approval of the majority of the Company's issued and outstanding common stock, which in turn requires the vote of a substantial number of unaffiliated common stockholders.

(6) A majority of the directors of the Company who were not employees of the Company voted to approve the Merger.

The Merger is not structured to require the approval of a majority of the unaffiliated stockholders of the Company. A majority of the directors who are not employees of the Company did not retain an unaffiliated representative to act solely on behalf of the unaffiliated stockholders. However, Dean Foods believes that the factors stated above provide sufficient procedural safeguards to protect the interests of the unaffiliated stockholders of the Company.

#### **Report of Goldman, Financial Advisor to Dean Foods**

Dean Foods retained Goldman to advise it in connection with a possible transaction with Horizon Organic. In February and June 2003, Dean Foods received from Goldman certain discussion materials relating to Horizon Organic and the Merger, including a preliminary valuation overview (the "February

Discussion Materials") and limited valuation analyses (the "June Discussion Materials"). Goldman did not render any opinion with respect to the Merger or the fairness of the Cash Merger Consideration to Dean Foods or any holders of common stock of Horizon Organic, nor was it retained or engaged to do so. Goldman provided its financial advisory services solely for the information and assistance of Dean Foods in connection with its consideration of a possible transaction with Horizon Organic.

**The February Discussion Materials and June Discussion Materials do not constitute a recommendation as to whether any holder of Horizon Organic common stock should vote in favor of, against or abstain from voting on the Merger.**

In connection with the February Discussion Materials and the June Discussion Materials, Goldman reviewed, among other things, recent publicly available information concerning Horizon Organic and Dean Foods and certain internal financial projections for Horizon Organic prepared by the management of Dean Foods.



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These internal financial projections were prepared by Dean Foods starting with the publicly disclosed historical financial information of Horizon Organic. Dean Foods made adjustments to this financial information to reflect its expectations as to (i) increased growth rates, (ii) increased sales and marketing expenses and (iii) reductions in the Company's processing, distribution and general and administrative costs following the Merger. These projections assumed the Merger was consummated. Dean Foods did not prepare any projections with respect to Horizon Organic remaining as an independent company.

The adjustments to the historical financial information were made on the basis of a review of both publicly available and nonpublic information of Horizon Organic. The nonpublic information reviewed by Dean Foods was provided by Horizon Organic during Dean Foods' due diligence investigation of Horizon Organic subject to a confidentiality agreement. Similar information was provided or available to all other interested bidders subject to confidentiality agreements. Such nonpublic information included (i) monthly financial statements for 2001 and 2002 and the first five months of 2003; (ii) historical financial information for each of the Company's product lines, including ultra high temperature (UHT) milk, high temperature short time (HTST) milk, cheese, yogurt, butter, juice and industrial products; (iii) financial statements for each of the Company's operating dairy farms during the periods in (i), including the Company's Idaho dairy farm held by the Company for sale and accounted for as discontinued operations; (iv) a break-out of information as to the Company's international sales, specifically by product line and whether such sales were under the Rachel's Organic brand or under private label store brands; (v) the Company's consolidated budget for 2003, along with the Company's international budget for 2003; (vi) detailed information on marketing and promotional costs for the Company's U.S. operations, by type of promotional program; (vii) detailed information on depreciation and amortization by category during the periods in (i); and (viii) detailed information on the Company's corporate overhead during the periods in (i). Dean Foods also reviewed and considered nonpublic contractual agreements between the Company and third parties regarding (i) processing and distribution of the Company's products, including processing and distribution costs per unit and historical processing volumes and budgeted 2003 volumes for each major processor; and (ii) brokerage, royalty and licensing agreements. Dean Foods also considered information it purchased from a third party service (*Information Resources, Inc.*) which reflected market share and other information regarding sales of organic milk and organic dairy products nationally and in various major U.S. metropolitan markets. For purposes of projecting the Company's federal income tax obligations, Dean Foods also reviewed and considered in its adjustments nonpublic information pertaining to (i) the Company's outstanding stock options, including a detailed stock option schedule reflecting whether such options are qualified incentive stock options or nonqualified options for tax purposes, and (ii) the Company's U.S. and foreign income tax returns for 2001 and the related analysis of deferred income tax assets and liabilities for 2001 and 2002. Finally, Dean Foods reviewed and considered nonpublic

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information as to the salary and benefits, severance and stay bonus amounts potentially payable to certain employees of Horizon Organic.

Goldman used the projections prepared by Dean Foods during February and June 2003 in connection with its preparation and presentation of the February Discussion Materials and the June Discussion Materials, respectively. Dean Foods gave no specific instructions and imposed no limitations on Goldman with respect to Goldman's preparation of the February Discussion Materials or the June Discussion Materials.

Goldman also:

reviewed the reported prices and trading activities for the common stock of Horizon Organic and Dean Foods;

compared certain publicly available financial and stock market information for Horizon Organic and Dean Foods with similar information for certain other companies the securities of which are publicly traded; and

reviewed the financial terms of certain recent business combinations in the food and beverage industry specifically and in other industries generally.

Goldman did not make an independent evaluation or appraisal of the assets and liabilities of Horizon Organic or any of its subsidiaries and was not furnished with any such evaluation or appraisal. Goldman expressed no view as to the price at which the Dean Foods common stock may trade following completion of the Merger.

The following is a summary of the February Discussion Materials and the June Discussion Materials. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to those analyses by Goldman. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 19, 2003, in the case of the February Discussion Materials, and June 24, 2003, in the case of the June Discussion Materials, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. You should read these tables together with the text of each summary.

### February Discussion Materials

*Selected Companies Analysis.* Goldman reviewed and compared certain financial information for each of Dean Foods and Horizon Organic to the corresponding financial information, ratios and public market multiples for the following publicly traded corporations of comparable market capitalizations to those of Dean Foods and Horizon Organic in the food industry:

American Italian Pasta Company;

Flowers Foods, Inc.;

The Hain Celestial Group, Inc.;

The J.M. Smucker Company;

Lance, Inc.;

McCormick & Company, Incorporated; and

Vermont Pure Holdings, Ltd.

Although none of the selected companies is directly comparable to either Dean Foods or Horizon Organic, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Dean Foods and Horizon Organic.

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Goldman also calculated and compared various financial multiples and ratios based on the most recent publicly available information and I/B/E/S International Inc., or IBES, earnings estimates. The multiples and ratios of each of Dean Foods, Horizon Organic and the selected companies were calculated using the respective closing prices of their common stock as of February 19, 2003. With respect to each of Dean Foods, Horizon Organic and the selected companies, Goldman calculated:

the closing price of its common stock as of February 19, 2003 as a percentage of the prior 52-week high closing market price for its common stock;

the equity market capitalization, which is the market value of common equity (on a fully diluted basis);

the enterprise value, which is the equity market capitalization plus net debt (the book value of debt less cash and marketable securities), as a multiple of latest twelve months, or LTM, sales;

the enterprise value as a multiple of LTM earnings before interest, taxes and depreciation and amortization, or EBITDA;

the enterprise value as a multiple of LTM earnings before interest and taxes, or EBIT;

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the price to earnings ratios for estimated calendar years 2003 and 2004;

the estimated five-year compound annual growth rate of earnings per share, or EPS CAGR;

the estimated price to earnings ratio to estimated five-year EPS CAGR for estimated calendar year 2004;

LTM EBITDA and LTM EBIT margins (EBITDA and EBIT ratios to sales); and

the dividend yield.

The results of these analyses are summarized in the table below:

Company	Closing Price 02/19/03	% of 52 Week High	Equity Market Cap(1)	Enterprise Value(1)	Enterprise Value Multiples(2)			Calendarized P/E Multiples(2)		5-Year EPS CAGR (2)	2004 PE/5-Year EPS CAGR	LTM Margins(1)		Dividend Yield
					Sales LTM	EBITDA LTM	EBIT LTM	2003	2004			EBITDA	EBIT	
(Dollar values in millions except for per share data)														
Horizon								31.9						
Organic	\$ 13.24	71%	\$ 141	\$ 181	1.0x	17.6x	28.0x	x 26.7x	20.0%	1.3x	5.5%	3.4%	0.0%	
Dean Foods(3)	42.41	100	4,105	7,199	0.8	8.4	10.5	13.6	12.4	9.1	1.4	9.5	7.6	0.0
American														
Italian Pasta	42.13	81	793	1,047	2.8	12.3	16.3	15.9	13.9	16.5	0.8	22.8	17.3	0.0
Flowers Foods	25.64	98	787	1,027	0.6	8.3	18.6	19.4	14.0	9.0	1.6	7.5	3.4	0.2
Hain Celestial	15.39	69	517	527	1.3	15.0	19.4	16.1	13.5	15.0	0.9	8.7	6.7	0.0
J.M.														
Smucker(4)	35.02	84	1,764	1,800	1.4	7.1	9.0	15.8	14.7	8.5	1.7	19.6	15.4	2.3
Lance	10.55	64	307	349	0.6	5.1	8.5	16.2	14.6	7.0	2.1	12.0	7.2	6.1
McCormick & Company(5)	22.50	84	3,229	3,773	1.6	9.7	11.8	15.6	14.1	11.0	1.3	16.7	13.8	2.0
Vermont Pure	4.05	76	86	137	1.9	10.0	15.0	22.5	NA	35.0	NA	19.2	12.7	0.0
								31.9						
	High	100%	\$ 4,105	\$ 7,199	2.8x	17.6x	28.0x	x 26.7x	35.0%	2.1x	22.8%	17.3%	6.1%	
	Mean	81%	\$ 1,303	\$ 1,782	1.3x	10.4x	15.2x	x 15.5x	14.6%	1.4x	13.5%	9.7%	1.2%	
	Median	81%	\$ 787	\$ 1,027	1.3x	9.7x	15.0x	x 14.1x	11.0%	1.3x	12.0%	7.6%	0.0%	
	Low	64%	\$ 86	\$ 137	0.6x	5.1x	8.5x	x 12.4x	7.0%	0.8x	5.5%	3.4%	0.0%	

(1) Source: Latest publicly available financial statements. Equity market capitalization is based on diluted shares outstanding.

(2) Sources: LTM numbers are based upon the latest publicly available financial statements. Projected sales, EBITDA, EBIT, and EPS source: IBES median estimates. All projected sales, EBITDA, EBIT, and EPS estimates have been calendarized for companies which have fiscal years ending on date other than December 31.

(3) EBIT and EBITDA include equity earnings in unconsolidated affiliates. Not pro forma for the acquisition of White Wave and Marie's.

(4)

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Pro forma for acquisition of Jif & Crisco.

(5)

EBIT and EBITDA include equity earnings in unconsolidated affiliates.

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*Analysis of Selected Comparable Transactions.* Goldman analyzed certain publicly available information relating to the following selected pending or completed transactions in the food and beverage industry since October 1996:

Date	Acquiror	Target
December 2002	The Hain Celestial Group, Inc.	Imagine Foods Inc.
August 2002	Nestlé SA	Chef America, Inc.
June 2002	Nestlé SA	Dreyer's Grand Ice Cream, Inc.
May 2002	Dean Foods Company	White Wave, Inc. (64%)
February 2002	Nestlé SA	Northern Foods' Ski and Munch Bunch yogurt brands (Northern Foods plc)
December 2001	Nestlé SA	Haagen-Dazs (Pillsbury Bakeries and Foodservice Inc.) (50%)
October 2001	Groupe Danone	Stonyfield Farm Inc. (40%)
October 2001	The Coca-Cola Company	Odwalla, Inc.
August 2001	H. J. Heinz Company	Delimex (Fenway International, Inc.)
January 2001	Campbell Soup Company	Several of Unilever's European Soup & Sauce Businesses (Unilever plc/Unilever NV)
October 2000	PepsiCo, Inc.	South Beach Beverage Co. LLC
September 2000	Cadbury Schweppes Public Limited Company	Snapple Beverage Group, Inc.
April 2000	Unilever NV	Slim-Fast Foods Co.
April 2000	Unilever plc and Unilever NV	Ben & Jerry's Homemade, Inc.
March 2000	The Hain Food Group	Celestial Seasonings, Inc.
February 2000	Nestlé SA	PowerBar Inc.
January 2000	Kraft Foods Inc.	Boca Burger, Inc.