

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE TO

Tender Offer Statement Under Section 14(d) (1)  
or Section 13(E) (1) of the Securities Exchange Act of 1934  
Under

The Securities Exchange Act of 1934

BALANCE BAR COMPANY (offeror)

(Name of Subject Company (issuer))

BB ACQUISITION, INC.

a wholly owned subsidiary of

KRAFT FOODS, INC.

(Names of Filing Persons (identifying status as offeror, issuer or other  
person))

COMMON STOCK, PAR VALUE \$0.01 PER SHARE  
(Title of Class of Securities)

057623100

(Cusip Number of Class of Securities)

William J. Eichar

Kraft Foods, Inc.

Three Lakes Drive

Northfield, IL 60093

Telephone: (847) 646-2000

(Name, address and telephone number of  
person authorized to receive notices  
and communications on behalf of filing persons)

Copy to:

Michael G. Timmers Esq.

Kirkland & Ellis

200 East Randolph Drive

Chicago, IL 60601

Telephone: 312-861-2000

CALCULATION OF FILING FEE

Transaction Valuation\*

Amount of Filing Fee

\$268,364,817

\$53,673

\*For purposes of calculating amount of filing fee only. This amount assumes  
(i) the purchase of all outstanding shares of common stock of Balance Bar  
Company and (ii) shares of common stock of Balance Bar Company subject to  
options that will be vested and exercisable as of the closing of this  
offer. The amount of the filing fee calculated in accordance with Rule 0-11  
of the Securities Exchange Act of 1934, as amended, equals 1/50 of 1% of  
the transaction value.

Check the box if any part of the fee is offset as provided by Rule 0-  
11(a) (2) and identify the filing with which the offsetting fee was  
previously paid. Identify the previous filing by registration statement  
number or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A

Form or Registration No.: N/A

Filing party: N/A

Date Filed: N/A

Check the box if the filing relates solely to preliminary communications  
made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the  
statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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Item 1. Summary Term Sheet.

The information set forth in the section of the Offer to Purchase entitled "Summary Term Sheet" is incorporated herein by reference.

Item 2. Subject Company Information.

(1) The name of the subject company is Balance Bar Company, a Delaware corporation (the "Company"), and the address of its principal executive offices is 1015 Mark Avenue, Carpinteria, California 93013. Its telephone number is (805) 566-0234.

(2) This Statement relates to the offer by BB Acquisition, Inc. ("Purchaser"), a Delaware corporation and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Parent"), to purchase all outstanding shares of common stock of the Company, par value \$0.01 per share (the "Shares"), at \$19.40 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a) (1) and (a) (2) (which are herein collectively referred to as the "Offer"). The information set forth in the introduction to the Offer to Purchase (the "Introduction") is incorporated herein by reference.

(3) The information concerning the principal market in which the Shares are traded and certain high and low sales prices for the Shares in such principal market is set forth in "Price Range of Shares; Dividends" of the Offer to Purchase and is incorporated herein by reference.

Item 3. Identity and Background of the Filing Person.

(a), (b), (c) The information set forth in "Certain Information Concerning Parent and Purchaser" and Schedule I of the Offer to Purchase is incorporated herein by reference.

Item 4. Terms of the Transaction.

(a) (1) (i)-(viii), (xii) The information set forth under "Introduction", "Background of the Offer; Past Contacts or Negotiations with the Company", "Purpose of the Offer; Plans for the Company", "The Merger Agreement; Other Arrangements", "Certain Information Concerning the Company", "Certain Effects of the Offer" and "Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

(a) (1) (ix) Not applicable

(x) Not applicable

(xi) Not applicable

(a) (2) Not applicable

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

The information set forth in "Background of the Offer; Past Contacts or Negotiations with the Company", "The Merger Agreement; Other Arrangements", "Certain Information Concerning Parent and Purchaser" and "Purpose of the Offer; Plans for the Company" in the Offer to Purchase is incorporated herein by reference.

Item 6. Purpose of the Tender Offer and Plans or Proposals.

(a), (c) (1), (4-7) The information set forth in "Introduction," "The Merger Agreement; Other Arrangements," "Purpose of the Offer; Plans for the Company," and "Dividends and Distributions" is incorporated herein by reference.

(c) (2) None

(3) None

Item 7. Source and Amount of Funds or Other Consideration.

(a) The information set forth in "Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

(b) Not applicable

(d) Not Applicable

Item 8. Interest in Securities of the Subject Company.

The information set forth in "Introduction", "Certain Information Concerning the Company", "Certain Information Concerning Parent and Purchaser" and Schedule I of the Offer to Purchase is incorporated herein by reference.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

The information set forth in "Introduction" and "Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

Item 10. Financial Statements.

Not applicable

Item 11. Additional Information.

Not applicable

Item 12. Exhibits.

(a) (1) Offer to Purchase dated January 28, 2000.

(a) (2) Letter of Transmittal.

(a) (3) Notice of Guaranteed Delivery.

(a) (4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a) (5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a) (6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a) (7) Joint Press Release issued by Parent and the Company on January 21, 2000, incorporated herein by reference to the Schedule TO filed by the parties on January 24, 2000.

(a) (8) Summary Advertisement as published in The Wall Street Journal on January 28, 2000.

(d) (1) Agreement and Plan of Merger, dated as of January 21, 2000, among Parent, Purchaser and the Company.

(d) (2) Form of Support Agreement.

(g) Not applicable.

(h) Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

BB Acquisition, Inc.

/s/ William Eichar

By: \_\_\_\_\_

William Eichar

Name: \_\_\_\_\_

President

Title: \_\_\_\_\_

Kraft Foods, Inc.

/s/ William Eichar

By: \_\_\_\_\_

William Eichar

Name: \_\_\_\_\_

Vice President, Mergers &  
Acquisitions

Title: \_\_\_\_\_

Dated: January 28, 2000

EXHIBIT INDEX

Exhibit No. -----	Exhibit Name -----	Page Number -----
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(a) (2)	Letter of Transmittal.....	
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(d) (2)	Form of Support Agreement.....	
(g)	Not applicable.	
(h)	Not applicable.	

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated January 28, 2000 and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. However, the Purchaser (as defined below) may, in its discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to holders of Shares in such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Credit Suisse First Boston Corporation ("Credit Suisse First Boston" or the "Dealer Manager") or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash  
All of the Outstanding Shares of Common Stock  
of  
Balance Bar Company  
at  
\$19.40 Net Per Share  
by  
BB Acquisition, Inc.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

BB Acquisition, Inc., a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company"), at a price of \$19.40 per Share, net to the seller in cash (less any required withholding taxes), without interest thereon, on the terms and subject to the conditions set forth in the Offer to Purchase, dated January 28, 2000 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). Tendering shareholders who have Shares registered in their names and who tender directly to American Stock Transfer & Trust Company (the "Depositary") will not be charged brokerage fees or commissions or, subject to Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares pursuant to the Offer. Shareholders who hold their Shares through a broker or bank should consult such institution as to whether it charges any service fees. Purchaser will pay all charges and expenses of the Dealer Manager, the Depositary, and D.F. King & Co., Inc., which is acting as the information agent (the "Information Agent"), incurred in connection with the Offer. Following the consummation of the Offer, the Purchaser intends to effect the Merger described below.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

The Offer is conditioned upon, among other things, the satisfaction or waiver of certain conditions, including (1) there being validly tendered in accordance with the terms of the Offer and not withdrawn prior to the expiration date of the Offer a number of Shares which, together with the Shares then owned by Parent or the Purchaser, represents more than 50% of the Shares outstanding (the "Minimum Condition") and (2) the expiration or termination of any waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Offer is also subject to the satisfaction of certain other conditions. See Section 17 of the Offer to Purchase.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of January 21, 2000 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The purpose of the Offer is for Parent, through the Purchaser, to acquire a majority voting interest in the Company as the first step in a business combination. The Merger Agreement provides that, among other things, the Purchaser will make the Offer and that as promptly as practicable after the purchase of Shares pursuant to the Offer and the satisfaction or waiver of the other conditions set forth in the Merger Agreement and in accordance with relevant provisions of the General Corporation Law of the State of Delaware (the "DGCL"), the Purchaser will be merged with and into the Company, with the Company continuing as the surviving corporation (the "Merger"). At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares owned beneficially or of record by Parent or any subsidiary of Parent or held in the treasury of the Company, all of which shall be cancelled, and other than Shares which are held by shareholders, if any, who properly exercise their appraisal rights under the DGCL) will be cancelled and converted into the right to receive \$19.40 in cash, or any higher price that is paid in the Offer (less any required withholding taxes), without interest thereon.

Certain shareholders of the Company have entered into Support Agreements pursuant to which such shareholders have agreed, among other things, to tender pursuant to the Offer, and not to withdraw, all of their Shares, which together represent approximately 54% of all outstanding Shares (approximately 51% on a fully-diluted basis). The Board of Directors of the Company has unanimously approved the Merger Agreement, the Offer and the Merger and determined that the Offer and the Merger are fair to and in the best interests of the Company and its shareholders. The Board of Directors of the Company recommends that the Company's shareholders tender their Shares pursuant to the Offer and approve and adopt the Merger Agreement.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn as, if and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. In all cases, on the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting such payment to tendering shareholders. Under no circumstances will interest on the purchase price of Shares be paid by the Purchaser because of any delay in making any payment. Payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase), pursuant to the procedures set forth in the Offer to Purchase, (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with all required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (iii) any other documents required by the Letter of Transmittal.

If any of the conditions set forth in the Offer to Purchase that relate to the Purchaser's obligations to purchase the Shares are not satisfied by 12:00 Midnight, New York City time, on February 25, 2000 (or any other time then set as the Expiration Date), the Purchaser may, subject to the Merger Agreement as described below, elect to, (i) extend the Offer and, subject to applicable withdrawal rights, retain all tendered Shares until the expiration of the Offer, as extended, (ii) subject to complying with applicable rules and regulations of the Securities and Exchange Commission, accept for payment all Shares so tendered and not extend the Offer, or (iii) terminate the Offer and not accept for payment any Shares and return all tendered Shares to tendering shareholders. The term "Expiration Date" means 12:00 Midnight, New York City time, on February 25, 2000, unless the Purchaser shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser shall expire. The Purchaser does not expect to make a subsequent offering period available following the Expiration Date pursuant to Rule 14d-11 of the Securities

Exchange Act of 1934, as amended (the "Exchange Act"), although it reserves the right to do so in its sole discretion.

Subject to the terms and conditions set forth in the Offer to Purchase and the Merger Agreement and the applicable rules and regulations of the Securities and Exchange Commission, the Purchaser reserves the right (but will not be obligated), at any time or from time to time in its sole discretion, (i) to extend the period during which the Offer is open or (ii) to amend the Offer in any other respect by giving oral or written notice of such extension or amendment to the Depositary and by making a public announcement of such extension or amendment. Except to the extent required by the Merger Agreement, there can be no assurance that the Purchaser will exercise its right to extend or amend the Offer. Any extension of the period during which the Offer is open and will be followed, as promptly as practicable, by public announcement thereof, such announcement to be issued not later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment pursuant to the Offer, also may be withdrawn at any time after March 27, 2000. Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. For a withdrawal of Shares tendered pursuant to the Offer to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name in which the certificates representing such shares are registered if different from that of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such certificates have been tendered by an Eligible Institution (as defined in the Offer to Purchase), the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account of the Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in the sole discretion, and its determination will be final and binding on all parties.

The receipt of cash in exchange for Shares pursuant to the Offer (or the Merger) will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign tax laws. Generally, a shareholder who receives cash in exchange for Shares pursuant to the Offer (or the Merger) will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received and such shareholder's adjusted tax basis in the Shares exchanged therefor. Provided that such Shares constitute capital assets in the hands of the shareholder, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the holder has held the Shares for more than one year at the time of sale. The maximum U.S. federal income tax rate applicable to individual taxpayers on long-term capital gain is 20%, and the deductibility of capital losses is subject to limitations. All shareholders should consult with their own tax advisors as to the particular tax consequences of the Offer and the Merger to them, including the applicability and effect of the alternative minimum tax and any state, local or foreign income and other tax laws and of changes in such tax laws. For a more complete description of certain U.S. federal income tax consequences of the Offer and the Merger see Section 5 of the Offer to Purchase. The information required to be disclosed by Paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided to the Purchaser its list of shareholders and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of

Transmittal and other related materials are being mailed to record holders of Shares and will be mailed to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

Questions and requests for assistance and copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below, and will be furnished promptly at the Purchaser's expense. The Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager and the Information Agent) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

D.F. King & Co., Inc.  
77 Water Street, 20th Floor  
New York, New York 10005

Banks and Brokers Call Collect: (212) 269-5550  
All Others Call Toll Free: (800) 549-6650

The Dealer Manager for the Offer is:

Credit Suisse First Boston  
  
Eleven Madison Avenue  
New York, New York 10010-3629  
Call Toll Free: (800) 646-4543

January 28, 2000

Offer To Purchase For Cash  
All Outstanding Shares of Common Stock  
of  
Balance Bar Company  
at  
\$19.40 Net Per Share  
by  
BB Acquisition, Inc.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED IN ACCORDANCE WITH THE TERMS OF THE OFFER AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE OF THE OFFER A NUMBER OF SHARES OF COMMON STOCK, PAR VALUE \$0.01 PER SHARE (THE "SHARES"), OF BALANCE BAR COMPANY (THE "COMPANY") WHICH, TOGETHER WITH THE SHARES OWNED BY KRAFT FOODS, INC. ("PARENT") OR BB ACQUISITION, INC. ("PURCHASER") REPRESENTS MORE THAN 50% OF THE SHARES OUTSTANDING AND (II) THE EXPIRATION OR TERMINATION OF ANY APPLICABLE WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTI-TRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, BEFORE THE EXPIRATION DATE OF THE OFFER. THE OFFER IS ALSO SUBJECT TO THE SATISFACTION OF CERTAIN OTHER CONDITIONS. SEE SECTION 17--"CERTAIN CONDITIONS OF THE OFFER."

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE AGREEMENT AND PLAN OF MERGER DATED AS OF JANUARY 21, 2000 AMONG PARENT, PURCHASER AND THE COMPANY, THE OFFER AND THE MERGER, AND DETERMINED THAT THE OFFER AND THE MERGER DESCRIBED HEREIN ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY AND ITS SHAREHOLDERS. THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT THE COMPANY'S SHAREHOLDERS TENDER THEIR SHARES PURSUANT TO THE OFFER AND APPROVE AND ADOPT THE MERGER AGREEMENT.

CERTAIN SHAREHOLDERS OF THE COMPANY HAVE ENTERED INTO SUPPORT AGREEMENTS PURSUANT TO WHICH SUCH SHAREHOLDERS HAVE AGREED, AMONG OTHER THINGS, TO TENDER PURSUANT TO THE OFFER, AND NOT TO WITHDRAW, ALL OF THEIR SHARES, WHICH TOGETHER REPRESENT APPROXIMATELY 54% OF ALL OUTSTANDING SHARES (APPROXIMATELY 51% ON A FULLY-DILUTED BASIS).

IMPORTANT

Any shareholder of the Company wishing to tender Shares in the Offer must (1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver the Letter of Transmittal and all other required documents to the Depository (as defined herein) together with certificates representing the Shares tendered or follow the procedure for book-entry transfer set forth in Section 3 or (2) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the shareholder. A shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company, or other nominee must contact such person if such shareholder wishes to tender such Shares.

Any shareholder of the Company who wishes to tender Shares and cannot deliver certificates representing such Shares and all other required documents to the Depository on or prior to the Expiration Date or who cannot comply with the procedures for book-entry transfer on a timely basis may tender such Shares pursuant to the guaranteed delivery procedure set forth in Section 3--"Procedures for Accepting the Offer and Tendering Shares."

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from the Information Agent or the Dealer Manager. Shareholders may also contact their broker, dealer, commercial bank and trust companies or other nominee.

The Dealer Manager for the Offer is:

[CREDIT SUISSE LOGO]  
January 28, 2000

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SUMMARY TERM SHEET

BB Acquisition, Inc. is offering to purchase all of the outstanding common stock of Balance Bar Company for \$19.40 per share in cash. The following are some of the questions you, as a shareholder of Balance Bar Company, may have and answers to those questions. We urge you to read carefully the remainder of this offer to purchase and the letter of transmittal because the information in this summary term sheet is not complete. Additional important information is contained in the remainder of this offer to purchase and the letter of transmittal.

.WHO IS OFFERING TO BUY MY SECURITIES?

Our name is BB Acquisition, Inc. We are a Delaware corporation formed for the purpose of making a tender offer for all of the common stock of Balance Bar Company. We are a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation. Kraft Foods, Inc. is a wholly owned subsidiary of Philip Morris Companies Inc., a Virginia corporation. See the "Introduction" to this Offer to Purchase.

.WHAT ARE THE CLASSES AND AMOUNTS OF SECURITIES SOUGHT IN THE OFFER?

We are seeking to purchase all of the outstanding common stock of Balance Bar Company. See the "Introduction" to this Offer to Purchase.

.HOW MUCH ARE YOU OFFERING TO PAY, WHAT IS THE FORM OF PAYMENT AND WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

We are offering to pay \$19.40 per share, net to you, in cash. If you are the record owner of your shares and you tender your shares to us in the offer, you will not have to pay brokerage fees or similar expenses. If you own your shares through a broker or other nominee, and your broker tenders your shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. See the "Introduction" to this Offer to Purchase.

.DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?

Kraft Foods, Inc. will be provided with approximately \$268 million, by its parent company, Philip Morris Companies Inc., which will be used to purchase all shares validly tendered and not withdrawn in the offer and to provide funding for the merger which is expected to follow the successful completion of the offer in accordance with the terms and conditions of the merger agreement among Balance Bar Company, BB Acquisition, Inc. and Kraft Foods, Inc. We anticipate that all of these funds will be obtained from the existing resources and internally generated funds of Philip Morris Companies Inc. See Section 10--"Source and Amount of Funds" of this Offer to Purchase.

.IS YOUR FINANCIAL CONDITION RELEVANT TO MY DECISION TO TENDER IN THE OFFER?

The form of payment consists solely of cash. We have arranged for all of our funding to come from the existing resources and internally generated funds of Philip Morris Companies Inc. Therefore, we do not think our financial condition is relevant to your decision whether to tender in the offer. See Section 10--"Source and Amount of Funds" of this Offer to Purchase.

.HOW LONG DO I HAVE TO DECIDE WHETHER TO TENDER IN THE OFFER?

You will have at least until 12:00 midnight, New York City time, on February 25, 2000, assuming commencement on January 28, to decide whether to tender your shares in the offer. Further, if you cannot deliver everything that is required in order to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this offer to purchase. See Section 1--"Terms of the Offer" of this Offer to Purchase.

.CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?

Subject to the terms of the merger agreement, we can extend the offer. We have agreed in the merger agreement that:

- we can extend the offer for up to 10 business days after April 30, 2000, if as of that date at least 90% of the outstanding shares have not been tendered; and
- we will extend the offer, without the approval of Balance Bar Company, if on a scheduled expiration date any of the conditions to our offer are not satisfied but are capable of being satisfied, however, we are not required to extend the offer beyond April 30, 2000; and
- we may extend the initial expiration date of the offer to include a subsequent offering period any time after April 30, 2000. A subsequent offering period, if one is included, will be an additional opportunity for shareholders to tender their shares and receive the offer consideration following the expiration of the offer. However, we do not currently intend to include a subsequent offering period although we reserve the right to do so.

See Section 1--"Terms of the Offer" of this Offer to Purchase.

.HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?

If we extend the offer, we will inform American Stock Transfer & Trust Company (which is the depository for the offer) of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the next business day after the day on which the offer was scheduled to expire. See Section 1--"Terms of the Offer" of this Offer to Purchase.

.WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?

- We are not obligated to purchase any shares which are validly tendered unless the number of shares validly tendered and not withdrawn before the expiration date of the offer, together with the shares then owned by us and Kraft Foods, Inc., represents more than 50% of the shares of Balance Bar Company outstanding. We may, however, decide to purchase all shares tendered, even though such number may be 50% or less of the outstanding shares, in our sole discretion.
- We are not obligated to purchase shares which are validly tendered if, among other things, there is a material adverse change in Balance Bar Company or its business or if the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 has not expired or been waived before we accept the shares which have been validly tendered.

See Section 17--"Certain Conditions of the Offer" of this Offer to Purchase.

.HOW DO I TENDER MY SHARES?

To tender shares, you must deliver the certificates representing your shares, together with a completed letter of transmittal, to American Stock Transfer & Trust Company, the depository for the offer, not later than the time the tender offer expires. If your shares are held in street name, the shares can be tendered by your nominee through The Depository Trust Company. If you cannot get any document or instrument that is required to be delivered to the depository by the expiration of the tender offer, you may get a little extra time to do so by having a broker, a bank or other fiduciary which is a member of the Securities Transfer Agents Medallion Program or other eligible institution guarantee that the missing items will be received by the depository within three Nasdaq National Market trading days. For the tender to be valid, however, the depository must receive the missing items within that three trading day period. See Section 3--"Procedure for Accepting the Offer and Tendering Shares" of this Offer to Purchase.

.UNTIL WHAT TIME CAN I WITHDRAW PREVIOUSLY TENDERED SHARES?

You can withdraw shares at any time until the offer has expired and, if we have not by March 27, 2000, agreed to accept your shares for payment, you can withdraw them at any time after such time until we accept shares for payment. This right to withdraw will not apply to any subsequent offering period discussed in Section 1, if one is included. See Section 4--"Withdrawal Rights" of this Offer to Purchase.

.HOW DO I WITHDRAW PREVIOUSLY TENDERED SHARES?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the depository while you still have the right to withdraw the shares. See Section 4--"Withdrawal Rights" of this Offer to Purchase.

.WHAT DOES THE BALANCE BAR COMPANY BOARD OF DIRECTORS THINK OF THE OFFER?

We are making the offer pursuant to an agreement and plan of merger among us, Kraft Foods, Inc. and Balance Bar Company, which has been approved unanimously by the Balance Bar Company board of directors. Balance Bar Company approved the merger agreement, our tender offer and the proposed merger of us with and into Balance Bar Company, with Balance Bar Company as the surviving corporation and a wholly owned subsidiary of Kraft Foods, Inc. The Balance Bar Company board of directors has determined that the offer and the merger are fair to, and in the best interests of the shareholders of Balance Bar Company. The Balance Bar Company board of directors recommends that you tender your shares in the offer. See the "Introduction" to this Offer to Purchase.

.HAVE ANY SHAREHOLDERS AGREED TO TENDER THEIR SHARES?

Yes. Shareholders who own shares representing approximately 54% of the outstanding common stock of Balance Bar Company (approximately 51% after taking into consideration unexercised shares and other securities convertible into common stock) have agreed to tender their shares in the offer.

.IF A MAJORITY OF THE SHARES ARE TENDERED AND ACCEPTED FOR PAYMENT, WILL BALANCE BAR COMPANY CONTINUE AS A PUBLIC COMPANY?

No. If the merger takes place, Balance Bar Company no longer will be publicly owned. Even if the merger does not take place, if we purchase all the tendered shares, there may be so few remaining shareholders and publicly held shares that Balance Bar Company common stock will no longer be eligible to be traded through the Nasdaq National Market or on a securities exchange, there may not be a public trading market for Balance Bar Company stock, and Balance Bar Company may cease making filings with the Securities and Exchange Commission or otherwise cease being required to comply with the SEC rules relating to publicly held companies. See Section 14--"Certain Effects of the Offer" of this Offer to Purchase.

.WILL THE TENDER OFFER BE FOLLOWED BY A MERGER IF ALL THE BALANCE BAR COMPANY SHARES ARE NOT TENDERED IN THE OFFER?

Yes. If we accept for payment and pay for at least a majority of the outstanding shares of Balance Bar Company, BB Acquisition, Inc. will be merged with and into Balance Bar Company. If that merger takes place, Kraft Foods, Inc. will own all of the shares of Balance Bar Company and all remaining shareholders of Balance Bar Company (other than Kraft Foods, Inc.) will receive \$19.40 per share in cash (or any other higher price per share which is paid in the offer). See the "Introduction" to this Offer to Purchase.

.IF I DECIDE NOT TO TENDER, HOW WILL THE OFFER AFFECT MY SHARES?

If the merger described above takes place, shareholders not tendering in the offer will receive the same amount of cash per share that they would have received had they tendered their shares in the offer. Therefore, if the merger takes place, the only difference to you between tendering your shares and not tendering your shares is that you will be paid earlier if you tender your shares. However, if the merger does not take place, the number of shareholders and of shares of Balance Bar Company which are still in the hands of the public may be so small that there no longer will be an active public trading market (or, possibly, there may not be any public trading market) for the Balance Bar Company common stock. Also, as described above, Balance Bar Company may cease making filings with the SEC or otherwise being required to comply with the SEC rules relating to publicly held companies. See the "Introduction" and Section 14--"Certain Effects of the Offer" of this Offer to Purchase.

.WHAT IS THE MARKET VALUE OF MY SHARES AS OF A RECENT DATE?

On January 20, 2000, the last trading day before we announced the tender offer and the possible subsequent merger, the last sale price of Balance Bar Company common stock reported on the Nasdaq National Market was \$14.13 per share. Between December 31, 1999 and January 20, 2000, the price of a share of Balance Bar Company common stock ranged between \$14.94 and \$11.88. We advise you to obtain a recent quotation for shares of Balance Bar Company common stock in deciding whether to tender your shares. See Section 6--"Price Range of Shares; Dividends" of this Offer to Purchase.

.WHO CAN I TALK TO IF I HAVE QUESTIONS ABOUT THE TENDER OFFER?

You can call D.F. King & Co., Inc. at (800) 628-8510 (toll free) or Credit Suisse First Boston Corporation at (800) 646-4543 (toll free). D.F. King & Co., Inc. is acting as the information agent and Credit Suisse First Boston Corporation is acting as the dealer manager for our tender offer. See the back cover of this Offer to Purchase.

To the Holders of Shares of Common Stock  
of Balance Bar Company:

#### INTRODUCTION

BB Acquisition, Inc. ("Purchaser"), a Delaware corporation and a wholly owned subsidiary of Kraft Foods, Inc. ("Parent"), hereby offers to purchase all outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company (the "Company") at a price of \$19.40 per Share, net to the seller in cash (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, together with any amendments or supplements hereto or thereto, collectively constitute the "Offer").

The Offer is being made pursuant to the Agreement and Plan of Merger dated as of January 21, 2000 (the "Merger Agreement") among the Company, Purchaser and Parent. The Merger Agreement provides that Purchaser will be merged with and into the Company (the "Merger") as soon as practicable following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement. Following the Merger, the Company will continue as the surviving corporation (the "Surviving Company"), wholly owned by Parent, and the separate corporate existence of Purchaser will cease. Pursuant to the Merger, each Share outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than Shares owned beneficially or of record by Parent or any subsidiary of Parent or held in the treasury of the Company, all of which will be cancelled, and other than Shares which are held by shareholders, if any, who properly exercise their appraisal rights under the Delaware General Corporation Law (the "DGCL")), shall be converted into the right to receive the per Share price paid in the Offer in cash, without interest (the "Merger Consideration"). The Merger Agreement is more fully described in Section 12--"The Merger Agreement; Other Arrangements," which also contains a discussion of the treatment of stock options.

Tendering shareholders who are record owners of their Shares and tender directly to the Depository (as defined below) will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Shareholders who hold their Shares through a broker or bank should consult such institution as to whether it charges any service fees. Parent or Purchaser will pay all charges and expenses of Credit Suisse First Boston Corporation, as dealer manager ("Credit Suisse First Boston" or the "Dealer Manager"), American Stock Transfer & Trust Company, as depository (the "Depository"), and D.F. King & Co., Inc., as information agent (the "Information Agent"), incurred in connection with the Offer. See Section 20--"Fees and Expenses."

The Board of Directors of the Company (the "Company Board") has unanimously approved the Merger Agreement, the Offer and the Merger, and determined that the Offer and the Merger are fair to, and in the best interests of, the Company and its shareholders. The Company Board recommends that the Company's shareholders tender their Shares pursuant to the Offer and approve and adopt the Merger Agreement.

Salomon Smith Barney Inc., financial advisor to the Company ("Salomon Smith Barney"), has delivered to the Company Board a written opinion dated January 21, 2000, to the effect that, as of such date and based on and subject to the matters stated in such opinion, the \$19.40 per Share cash consideration to be received in the Offer and the Merger by the holders of Shares was fair from a financial point of view to such holders (other than Parent and its affiliates). The full text of Salomon Smith Barney's written opinion, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is included as an annex to the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") under the Securities Exchange Act of 1934 (the "Exchange Act"), which is being mailed to shareholders concurrently herewith. Shareholders are urged to read the full text of such opinion carefully in its entirety.

The Offer is conditioned upon, among other things, (1) there being validly tendered in accordance with the terms of the Offer and not withdrawn prior to the expiration date of the Offer a number of Shares which, together with the Shares then owned by Parent or Purchaser, represents more than 50% of the outstanding Shares (the "Minimum Condition") and (2) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), before the expiration date of the Offer. The Offer is also subject to the satisfaction of certain other conditions. See Section 17--"Certain Conditions of the Offer."

Pursuant to the Merger Agreement, the Company, as of the close of business on January 21, 2000, there were outstanding 12,646,276 Shares. Neither Parent, Purchaser nor any person listed on Schedule I hereto beneficially owns any Shares. Accordingly, Purchaser believes that the Minimum Condition would be satisfied if approximately 6,323,139 Shares are validly tendered and not withdrawn prior to the expiration date of the Offer.

Each of Thomas R. Davidson, James A. Wolfe and Richard G. Lamb have entered into Support Agreements with the Parent dated as of January 21, 2000 (the "Support Agreements") relating to an aggregate of 6,999,718 Shares (approximately 54% of the outstanding Shares and approximately 51% on a fully diluted basis) over which Messrs. Davidson, Wolfe and Lamb have represented to Parent that they have voting and dispositive power. Pursuant to the Support Agreements, among other things, Messrs. Davidson, Wolfe and Lamb have agreed to tender all such Shares pursuant to the Offer and not withdraw such Shares as long as the Support Agreements remain in effect. The Support Agreements are subject to limited termination provisions. See Section 11--"The Merger Agreement; Other Arrangements--The Support Agreements." As a result of the Support Agreements, Parent and Purchaser expect the Minimum Condition to be satisfied at the Expiration Date.

The Merger Agreement provides that upon the acceptance for payment of Shares pursuant to the Offer, Parent shall be entitled to designate at least such number of directors, rounded up to the next whole number, on the Company Board that equals the product of (1) the total number of directors on the Company Board and (2) the percentage that the aggregate number of Shares beneficially owned by Parent or its affiliates bears to the total number of Shares then outstanding, and the Company will, upon request of Parent, take all actions necessary to cause Parent's designees to be so elected including, if necessary, seeking the resignations of one or more existing directors; provided, however, that before the Effective Time, the Company Board will always have at least two directors who are neither officers, directors, shareholders or designees of Parent or any of its affiliates. See Section 12--"The Merger Agreement; Other Arrangements."

The Merger is subject to the satisfaction or waiver of certain conditions, including, if required, the approval and adoption of the Merger Agreement by a majority of the shareholders of the Company. If the Minimum Condition is satisfied, Purchaser would have sufficient voting power to approve the Merger without the affirmative vote of any other shareholder of the Company. The Company has agreed, if required, to cause a meeting of its shareholders to be held as promptly as practicable following consummation of the Offer for the purpose of voting on the approval and adoption of the Merger and the Merger Agreement. Parent and Purchaser have agreed to vote their Shares in favor of the Merger. See Section 12--"The Merger Agreement; Other Arrangements."

This Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

## THE TENDER OFFER

### 1. Terms of the Offer

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), Purchaser will accept for payment and pay for all Shares validly tendered prior to the Expiration Date and not properly withdrawn as permitted under Section 4--"Withdrawal Rights." The term "Expiration Date" means 12:00 midnight, New York City time, on February 25, 2000, unless Purchaser, in accordance with the Merger Agreement, extends the period during which the Offer is open, in which event the term "Expiration Date" means the latest time and date on which the Offer, as so extended, expires.

Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement and the applicable rules and regulations of the Securities and Exchange Commission (the "Commission")), at any time and from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depository. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares. See Section 4--"Withdrawal Rights."

Notwithstanding the foregoing, Purchaser cannot, without the Company's consent, extend the Offer beyond April 30, 2000, except that Parent can extend the Offer for up to 10 business days if, as of such date, there have not been tendered at least 90% of the outstanding Shares. In addition, if at any scheduled expiration date any of the conditions of the Offer has not been satisfied or waived by Parent, but are capable of being satisfied, Parent will from time to time extend the Offer until such conditions are satisfied or waived, provided that Parent will not be required to extend the Offer beyond April 30, 2000. Subject to the foregoing restrictions, Parent has the right (but is not obligated), in its sole discretion, to extend the period during which the Offer is open by giving oral or written notices of extension to the depository in such offer and by making a public announcement of such extension.

Neither Purchaser nor Parent will, without the prior consent of the Company, decrease the Offer Price or the number of Shares sought pursuant to the Offer, or otherwise amend or add any term or condition of or to the Offer, except as otherwise expressly permitted in or contemplated by the Merger Agreement. The Company will not unreasonably withhold consent to a change in the Expiration Date. Purchaser can waive any other condition to the Offer in its discretion.

Any extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(d), and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If Purchaser extends the Offer or if Purchaser is delayed in its acceptance for payment of or payment (whether before or after its acceptance for payment of Shares) for Shares or it is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depository may retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described herein under Section 4--"Withdrawal Rights." However, the ability of Purchaser to delay the payment for Shares that Purchaser has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of shareholders promptly after the termination or withdrawal of such bidder's offer, unless such bidder elects to offer a subsequent offering period (a "Subsequent

Offering Period") under Rule 14d-11 under the Exchange Act and pays for Shares tendered during the Subsequent Offering Period in accordance with that section, and by the terms of the Merger Agreement, which require that Purchaser pay for Shares that are tendered pursuant to the Offer as soon as permitted after the Offer.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(d) and 14e-1 under the Exchange Act. The minimum period during which an offer must remain open following material changes in the terms of such offer or information concerning such offer, other than a change in price or a change in the percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. With respect to a change in price or a change in the percentage of securities sought, a minimum period of 10 business days is generally required to allow for adequate dissemination to shareholders.

Pursuant to Rule 14d-11 under the Exchange Act, Purchaser may, subject to certain conditions, include a Subsequent Offering Period following the expiration of the Offer on the Expiration Date. Rule 14d-11 provides that Purchaser may include a Subsequent Offering Period so long as, among other things, (1) the Offer remains open for a minimum of 20 business days and has expired, (2) the Offer is for all outstanding Shares, (3) Purchaser accepts and promptly pays for all Shares tendered during the Offer, (4) Purchaser announces the results of the Offer, including the approximate number and percentage of Shares deposited no later than 9:00 a.m. New York City time on the next business day after the Expiration Date and immediately begins the Subsequent Offering Period, (5) Purchaser immediately accepts and promptly pays for Shares as they are tendered during the Subsequent Offering Period, and (6) Purchaser pays the Offer Price for all Shares tendered in the Subsequent Offering Period. Purchaser will be able to include a Subsequent Offering Period if it satisfies the conditions above. In a public release, the Securities and Exchange Commission (the "Commission") expressed the view that the inclusion of a Subsequent Offering Period would constitute a material change to the terms of the Offer requiring Purchaser to disseminate new information to shareholders in a manner reasonably calculated to inform them of such change sufficiently in advance of the Expiration Date (generally five business days). In the event Purchaser elects to include a Subsequent Offering Period, it will notify shareholders of the Company consistent with the requirements of the Commission.

A Subsequent Offering Period, if one is included, is not an extension of the Offer. A Subsequent Offering Period would be an additional period of time, following the expiration of the Offer, in which shareholders may tender Shares not tendered into the Offer. Purchaser does not currently intend to include a Subsequent Offering Period in the Offer, although it reserves the right to do so in its sole discretion.

Pursuant to Rule 14d-7 under the Exchange Act, no withdrawal rights will apply to Shares tendered into a Subsequent Offering Period and no withdrawal rights apply during the Subsequent Offering Period with respect to Shares tendered in the Offer and accepted for payment. The same consideration, the Offer Price, will be paid to shareholders tendering Shares in the Offer or in a Subsequent Offering Period, if one is included.

The Company has provided Purchaser with the Company's shareholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the Company's shareholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

## 2. Acceptance for Payment and Payment for Shares

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and will pay for all Shares validly tendered prior to the Expiration Date and not properly withdrawn, promptly after the

Expiration Date. Subject to the Merger Agreement and compliance with Rule 14e-1(c) under the Exchange Act, Purchaser expressly reserves the right to delay payment for Shares in order to comply in whole or in part with any applicable laws, including, without limitation, the HSR Act. See Section 18--"Certain Legal Matters; Regulatory Approvals."

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Shares validly tendered and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering shareholders whose Shares have been accepted for payment.

Under no circumstances will interest on the Offer Price for Shares be paid, regardless of any delay in making such payment.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (1) the certificates evidencing such Shares (the "Share Certificates") or confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3--"Procedures for Accepting the Offer and Tendering Shares," (2) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined below) in lieu of the Letter of Transmittal and (3) any other documents required under the Letter of Transmittal.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer, or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares tendered by book-entry transfer into the Depository's account at the Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3--"Procedures for Accepting the Offer and Tendering Shares," such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transaction or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

### 3. Procedures for Accepting the Offer and Tendering Shares.

Valid Tenders. In order for a shareholder validly to tender Shares pursuant to the Offer, either (1) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal) and any other documents required by the Letter of Transmittal must be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase and either the Share Certificates evidencing tendered Shares must be received by the Depository at such address or such Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depository, in each case prior to the Expiration Date, or (2) the tendering shareholder must comply with the guaranteed delivery procedures described below. The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to and received by the Depository and forming a part of a Book-Entry Confirmation which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares, which are the subject of such

Book-Entry Confirmation, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

Book-Entry Transfer. The Depository will establish an account with respect to the Shares at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depository's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer at the Book-Entry Transfer Facility, either the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must, in any case, be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering shareholder must comply with the guaranteed delivery procedure described below.

Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depository.

The method of delivery of Share Certificates, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the Depository (including, in the case of a book-entry transfer a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal where Shares are tendered (1) by a registered holder of Shares who has not completed either the box labeled "Special Delivery Instructions" or the box labeled "Special Payment Instructions" on the Letter of Transmittal or (2) for the account of a firm which is participating in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each an "Eligible Institution" and collectively "Eligible Institutions"). In all other cases, all signatures on a Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a Share Certificate is registered in the name of a person or persons other than the signer of the Letter of Transmittal, or if payment is to be made or delivered to, or a Share Certificate not accepted for payment or not tendered is to be issued, in the name of a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate duly executed stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Offer and the Share Certificates evidencing such shareholder's Shares are not immediately available or such shareholder cannot deliver the Share Certificates and all other required documents to the Depository prior to the Expiration Date, or such shareholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Shares may nevertheless be tendered; provided that all of the following conditions are satisfied:

- (1) such tender is made by or through an Eligible Institution;
- (2) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, is received prior to the Expiration Date by the Depository as provided below; and
- (3) the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof), properly

completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal are received by the Depository within three Nasdaq National Market trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram or facsimile transmission to the Depository and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser.

In all cases, Shares shall not be deemed validly tendered unless a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) is received by the Depository.

Notwithstanding any other provision of this Offer to Purchase, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of the Share Certificates evidencing such Shares, or a Book-Entry Confirmation of the delivery of such Shares, and the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. Subject to the terms of the Merger Agreement, Purchaser also reserves the absolute right to waive any condition of the Offer or any defect or irregularity in the tender of any Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of Purchaser, the Dealer Manager, the Depository, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Other Requirements. By executing the Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints designees of Purchaser as such shareholder's proxies, each with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by Purchaser (with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies shall be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, Purchaser accepts such Shares for payment. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares (and such other Shares and securities) will be revoked without further action, and no subsequent proxies may be given nor any subsequent written consent executed by such shareholder (and, if given or executed, will not be deemed to be effective) with respect thereto. The designees of Purchaser will, with respect to the Shares for which the appointment is effective, be empowered to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual or special meeting of the Company's shareholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's payment for such Shares, Purchaser must be able to exercise full voting rights with respect to such Shares.

The tender of Shares pursuant to any one of the procedures described above will constitute the tendering shareholder's acceptance of the Offer, as well as the tendering shareholder's representation and warranty that (1) such shareholder owns the Shares being tendered within the meaning of Rule 14e-4 promulgated under the Exchange Act, (2) the tender of such Shares complies with Rule 14e-4 and (3) such shareholder has the full power and authority to tender and assign the Shares tendered, as specified in the Letter of Transmittal.

Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and Purchaser upon the terms and subject to the conditions of the Offer.

To prevent backup withholding of United States federal income tax with respect to payment of the purchase price of Shares purchased pursuant to the Offer, each shareholder must provide the Depositary with such shareholder's correct taxpayer identification number or social security number and certify that such shareholder is not subject to backup federal income tax withholding by completing the substitute Form W-9 in the Letter of Transmittal. If backup federal income tax withholding applies to a shareholder, the Depositary is required to withhold 31% of any payments made to such shareholder. See Instruction 8 of the Letter of Transmittal.

#### 4. Withdrawal Rights.

Tenders of Shares made pursuant to the Offer are irrevocable, except that such Shares may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after March 27, 2000 (or such later date as may apply if the Offer is extended). If Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described herein.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name, address and taxpayer identification number of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3--"Procedures for Accepting the Offer and Tendering Shares," any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Withdrawals of Shares may not be rescinded. Any Shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered at any time prior to the Expiration Date by following one of the procedures described in Section 3--"Procedures for Accepting the Offer and Tendering Shares."

No withdrawal rights will apply to Shares tendered into a Subsequent Offering Period and no withdrawal rights apply during the Subsequent Offering period with respect to Shares tendered in the Offer and accepted for payment. See Section 1--"Terms of the Offer."

#### 5. Certain United States Federal Income Tax Considerations.

The receipt of cash pursuant to the Offer or the Merger will constitute a taxable transaction for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and may also constitute a taxable transaction under applicable state, local, foreign and other tax laws. As a result, a tendering

shareholder will generally recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash received by the shareholder pursuant to the Offer or the Merger and such shareholder's aggregate adjusted tax basis in the Shares tendered and purchased pursuant to the Offer or the Merger. Gain or loss will be calculated separately for each block of Shares tendered and purchased pursuant to the Offer or the Merger. If tendered Shares are held by a tendering shareholder as capital assets (within the meaning of Section 1221 of the Code), any gain or loss recognized by the tendering shareholder will constitute capital gain or loss, and will constitute long-term capital gain or loss if the tendering shareholder held the underlying Shares for more than 12 months as of the date of disposition.

A shareholder that tenders Shares may be subject to backup withholding unless the shareholder provides its taxpayer identification number and certifies that such number is correct or properly certifies that it is awaiting a taxpayer identification number, or unless an exemption applies. A shareholder who does not furnish its taxpayer identification number may be subject to a penalty imposed by the Internal Revenue Service. See Section 3-- "Procedures for Accepting the Offer and Tendering the Shares."

If backup withholding applies to a shareholder, the Depositary is required to withhold 31% from payments to such shareholder. Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the Internal Revenue Service. If backup withholding results in an overpayment of tax, a refund can be obtained by the shareholder upon filing an appropriate income tax return.

The foregoing discussion may not be applicable with respect to Shares received pursuant to the exercise of employee stock options or otherwise as compensation or to shareholders who perfect their appraisal rights under the DGCL or with respect to holders of Shares who are subject to special tax treatment under the Code, such as non-U.S. persons, life insurance companies, dealers in securities, tax-exempt organizations and financial institutions, and may not apply to a holder of Shares in light of such holder's individual circumstances.

The summary of tax consequences set forth above is for general information only and is based on the law as currently in effect. Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or foreign income and other tax laws) of the Offer and the Merger.

#### 6. Price Range of Shares; Dividends.

The Shares began trading on the Nasdaq National Market under the symbol "BBAR" on June 2, 1998. The following table sets forth, for the periods indicated, the high and low sale prices per Share. Share prices are as reported on the Nasdaq National Market based on published financial sources. To date, the Company has paid no dividends on the Shares.

	Common Stock	
	High	Low
	-----	-----
Fiscal Year 1998:		
Second Quarter (beginning June 2).....	\$14 3/4	\$10 3/4
Third Quarter.....	17 3/4	7 1/4
Fourth Quarter.....	13 1/4	7 1/2
Fiscal Year 1999:		
First Quarter.....	12 1/8	8 1/4
Second Quarter.....	7 3/4	4 7/8
Third Quarter.....	7 1/2	5 3/8
Fourth Quarter.....	15	5 5/8
Fiscal Year 2000:		
First Quarter (through January 27).....	19 1/4	11 7/8

Pursuant to the Merger Agreement, the Company has represented to Parent that, on January 21, 2000, there were 21,646,276 outstanding Shares.

On January 20, 2000, the last full day of trading before the public announcement of the execution of the Merger Agreement, the closing price of the Shares on the Nasdaq National Market was \$14.13 per Share. On January 27, 2000, the last full day of trading before the commencement of the Offer, the closing price of the Shares on the Nasdaq National Market, was \$19.19 per Share. Shareholders are urged to obtain a current market quotation for the Shares.

#### 7. Certain Information Concerning the Company.

General. The Company is a Delaware corporation with its principal offices located at 1015 Mark Avenue, Carpinteria, California 93013. The telephone number of the Company is (805) 566-0234. According to the Company's Form 10-K for the fiscal year ended December 31, 1998, the Company develops and markets branded natural food and beverage products in convenient, good-tasting, balanced nutritional formulations. The Company's product lines are targeted to a broad consumer base in the health food and beverage market. The Company markets its products to consumers for a wide variety of uses, included snacking, meal replacement, fitness, weight management and diabetic nutrition. The Company sells its products in natural foods, mass merchandise, club, grocery, convenience, sports and drug stores.

The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's regional offices located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Information regarding the public reference facilities may be obtained from the Commission by telephoning 1-800-SEC-0330. The Company's filings are also available to the public on the Commission's Internet site (<http://www.sec.gov>). Copies of such materials may also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such material should also be available for inspection at the offices of Nasdaq National Market Operations, 1735 K Street, N.W., Washington D.C. 20006.

#### 8. Selected Financial Information.

The following selected consolidated financial data relating to the Company has been taken or derived from the audited financial statements contained in the Company's annual reports on Form 10-K for the years ended December 31, 1998 and 1997 and the unaudited operating results provided to Parent for the year ended December 31, 1999. More comprehensive financial information is included in the Company's annual report on Form 10-K and quarterly reports on Form 10-Q and the other documents filed by the Company with the Commission, and the financial data set forth below is qualified in its entirety by reference to such reports and other documents and all of the financial statements and notes contained therein. Such reports and other documents may be examined and copies may be obtained from the offices of the Commission in the manner set forth above.

BALANCE BAR COMPANY  
 SELECTED CONSOLIDATED FINANCIAL INFORMATION  
 (in thousands, except ratio and per share data)

	Year Ended December 31,		
	1999	1998	1997
	-----		
	(unaudited)		
Income Statement Data:			
Sales.....	\$100,855	\$81,656	\$39,634
Gross Profit.....	50,872	39,334	19,833
Net Income.....	7,455	5,112	1,660
Basic Earnings Per Share.....	0.63	0.48	0.18
Diluted Earnings Per Share.....	0.58	0.41	0.15
Ratio of Earnings to Fixed Charges.....	151x	41x	44x

	December 31,		
	1999	1998	1997
	-----		
	(unaudited)		
Balance Sheet Data:			
Current Assets.....	30,682	25,846	9,438
Total Assets.....	35,511	26,981	10,796
Current Liabilities.....	7,493	7,054	6,464
Long-Term Debt, net.....	--	--	228
Book Value Per Share.....	2.37	1.76	0.44

Except as otherwise stated in this Offer to Purchase, the information concerning the Company contained herein has been taken from or is based upon reports and other documents on file with the Commission or otherwise publicly available. Although neither Purchaser nor Parent have any knowledge that would indicate that any statements contained herein based upon such reports and documents are untrue, neither Purchaser nor Parent takes any responsibility for the accuracy or completeness of the information contained in such reports and other documents or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of any such information but that are unknown to Purchaser or Parent.

Certain Projections. The Company does not, as a matter of course, make public any forecasts as to its future financial performance. However, in connection with Parent's review of the transactions contemplated by the Offer and the Merger, the Company has provided Parent with certain projected financial information concerning the Company. Such information included, among other things, the Company's projections of consolidated sales, gross profit, income before income taxes, net income and diluted earnings per share for the Company for the years 2000 through 2002. Set forth below is a summary of such projections. These projections should be read together with the financial statements of the Company referred to herein.

	Year Ended December 31,		
	2000	2001	2002
	-----		
	(in thousands, except share data)		
Sales.....	\$147,531	\$199,035	\$261,638
Gross Profit.....	72,601	96,258	125,665
Income Before Income taxes.....	17,780	23,524	30,307
Net Income.....	10,490	13,644	17,578
Diluted Earnings Per Share.....	0.80	1.03	1.32

It is the understanding of Parent and Purchaser that the projections were not prepared with a view to public disclosure or compliance with published guidelines of the Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts and are included herein



only because such information was provided to Parent and Purchaser. The projections do not purport to present operations in accordance with generally accepted accounting principles and the Company's independent auditors have not examined or compiled the projections presented herein, and accordingly assume no responsibility for them. These forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995) are subject to certain risks and uncertainties that could cause actual results to differ materially from the projections. The Company has advised Purchaser and Parent that its internal financial forecasts (upon which the projections provided to Parent and Purchaser were based in part) are, in general, prepared solely for internal use and capital budgeting and other management decisions, and are subjective in many respects and thus susceptible to interpretations and periodic revision based on actual experience and business developments. The projections also reflect numerous assumptions (not all of which were provided to Parent and Purchaser), all made by management of the Company, with respect to industry performance, general business, economic, market and financial conditions and other matters, including effective tax rates consistent with historical levels for the Company, all of which are difficult to predict, many of which are beyond the Company's control and none of which were subject to approval by Parent or Purchaser. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate, and actual results may be materially greater or less than those contained in the projections. The inclusion of information the projections herein should not be regarded as an indication that any of Parent, Purchaser, the Company or their respective affiliates or representatives considered or consider the projections to be a reliable prediction of future events, and the projections should not be relied upon as such. None of Parent, Purchaser, the Company or any of their respective affiliates or representatives has made, or makes any representation to any person regarding the ultimate performance of the Company compared to the information contained in the projections and none of them intends to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. It is expected that there will be differences between actual and projected results, and actual results may be materially higher or lower than those projected.

#### 9. Certain Information Concerning Parent and Purchaser.

General. Parent is a Delaware corporation with its principal offices located at Three Lakes Drive, Northfield, Illinois 60093. The telephone number of Parent is (847) 646-2000. Parent is the largest processor and marketer of retail packaged foods in the United States. A wide variety of cheese, processed meat products, coffee and grocery products are manufactured and marketed in the United States and Canada by Parent.

Purchaser is a Delaware corporation with its principal offices located at Three Lakes Drive, Northfield, Illinois 60093. The telephone number of Purchaser is (847) 646-2000. Purchaser is a wholly owned subsidiary of Parent. Purchaser was organized on January 18, 2000 and has not carried on any activities other than in connection with the Merger Agreement.

Philip Morris Companies Inc. is a Virginia corporation with its principal offices located at 120 Park Avenue, New York, New York 10017. The telephone number of Philip Morris Companies Inc. is (917) 663-5000. Philip Morris Companies Inc. is a holding company whose principal wholly-owned subsidiaries, Philip Morris Incorporated, Philip Morris International Inc., Kraft Foods, Inc., and Miller Brewing Company, are engaged in the manufacture and sale of various consumer products. A wholly owned subsidiary of the Company, Philip Morris Capital Corporation, engages in various financing and investment activities. Philip Morris Companies Inc. is the largest consumer packaged goods company in the world. Philip Morris Incorporated is the largest cigarette company in the United States.

The name, citizenship, business address, business phone number, principal occupation or employment and five-year employment history for each of the directors and executive officers of Philip Morris Companies Inc., Parent and Purchaser and certain other information are set forth in Schedule I hereto.

Except as described in this Offer to Purchase, (1) none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of Parent or Purchaser or any of the persons so listed beneficially owns or has any right to acquire, directly or indirectly, any Shares and (2) none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons or entities referred to above nor any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Shares during the past 60 days.

Except as provided in the Merger Agreement, the Support Agreements or as otherwise described in this Offer to Purchase, none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, guarantees of profits, division of profits or loss or the giving or withholding of proxies.

Except as set forth in this Offer to Purchase, none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed on Schedule I hereto, has had any business relationship or transaction with the Company or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the Commission applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no contracts, negotiations or transactions between Parent or any of its subsidiaries or, to the best knowledge of Parent, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets. None of the persons listed in Schedule I have, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons listed in Schedule I have, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction of settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to federal or state securities laws, or a finding of any violation of federal or state securities laws.

#### 10. Source and Amount of Funds.

The total amount of funds required by Purchaser to purchase Shares pursuant to the Offer and the Merger is estimated to be approximately \$268 million. Purchaser will obtain such funds from Parent. Parent will obtain such funds from Philip Morris Companies Inc., its parent company. Philip Morris Companies Inc. will obtain such funds from internally generated funds.

#### 11. Background of the Offer; Past Contacts or Negotiations with the Company.

On September 24, 1999, the Company had discussions with representatives of Parent's European division to investigate the possibility of entering into a business relationship.

In early October 1999, William J. Eichar, Vice President Mergers & Acquisitions of the Parent, called James A. Wolfe, the President and Chief Executive Officer of the Company, to express Parent's potential interest in exploring a business relationship with the Company.

On October 28, 1999, at the invitation of Mr. Wolfe, representatives of the Company and Parent, including Mr. Wolfe, Mr. Eichar, and Ms. Elizabeth Smith, the Director of Strategy of Parent's Beverages and Desserts Division, met at the Company's headquarters in Carpinteria, California to discuss the parties' respective businesses.

On November 1, 1999, Mr. Eichar received a call from a representative of Salomon Smith Barney, the Company's financial advisor, notifying him that the Company had commenced a process to solicit third party indications of interest in the possible acquisition of the Company.

On November 2, 1999, Parent and Company entered into a confidentiality agreement and Parent subsequently received an offering memorandum and related materials about the Company.

As requested in the Company's bid sale process instructions, Parent submitted a preliminary, non-binding indication of interest on November 17, 1999. On November 30, 1999, representatives of Parent attended a management presentation by the Company held in Chicago, Illinois. In December 1999 and early January 2000, representatives of Parent conducted a due diligence investigation of the Company.

On January 12, 2000, Parent submitted a bid which stated that it was prepared to make a cash tender offer for all outstanding Shares at \$18.95 per Share, subject to expeditious completion of due diligence, confirmation of mutually acceptable employment terms and conditions with certain members of the Company's senior management, execution of the Support Agreements and other customary conditions.

On January 13, 2000, a representative of Salomon Smith Barney called Mr. Eichar and a representative of Credit Suisse First Boston Corporation ("Credit Suisse First Boston"), Parent's financial advisor, to clarify certain issues relating to Parent's proposal. In the morning of January 14, 2000, the Salomon Smith Barney representative again called Credit Suisse First Boston to discuss further the terms of Parent's January 12 bid. Credit Suisse First Boston was informed that the Company's Board was scheduled to meet that afternoon and would consider any revision to Parent's proposal made prior to that time. Credit Suisse First Boston indicated that it would discuss the situation with Parent immediately and report to Salomon Smith Barney prior to the Board Meeting. Following discussion with Parent, Credit Suisse First Boston, at Parent's direction, informed Salomon Smith Barney that Parent was prepared to increase the amount of its January 12 bid to \$19.45 per Share, subject to the understanding that the Company would have a certain projected level of cash at the time of the closing of the Merger, and that Parent would, before commencing negotiations, receive assurances that the Principal Stockholders would sign the Support Agreements substantially in the form described herein and that appropriate employment arrangements with senior officers could be negotiated. Following receipt of such assurances from the Company, O'Melveny & Myers then forwarded to Parent's counsel revised drafts of the Merger Agreement and related documents.

Commencing on January 15 to January 19, representatives of Parent and the Company met in Los Angeles to negotiate a definitive merger agreement and other ancillary agreements (including the Support Agreements). During such period and thereafter, representatives of Parent and the Company also met to complete remaining due diligence.

By January 20, all due diligence issues were addressed in a manner acceptable to Parent, and Parent proceeded to conclude negotiations with the Company based on the proposed terms of the transaction as of January 20.

During final review of the Merger Agreement, on the evening of January 20, representatives of the Company and Parent discussed cash expenditures to be made by the Company prior to consummation of the Merger that would reduce the Company's projected net cash as of the projected closing date position by approximately \$0.05 per Share versus previous assumptions used to calculate the \$19.45 per Share proposal. As a result of this anticipated cash reduction, the Company and Parent agreed to adjust the per Share price to \$19.40 per Share.

On January 20 the Board of Directors of the Company met to review and approve the Offer, the Merger, the Merger Agreement and the Support Agreements. Following such meeting, Parent, the Purchaser and the Company agreed to execute and deliver the Merger Agreement on January 21, and the Stockholders and Parent and the Purchaser agreed to execute and deliver the Support Agreements on January 21. All such agreements were executed and delivered on January 21. Also on January 21, 2000, an Organizational Transition Plan providing for, among other things, employment arrangements with employees of the Company was signed by the Company, Parent and Messrs. Wolfe, Thomas Flahie, Richard Lamb and Thomas Davidson. Thereafter the Company and Parent issued a joint press release announcing the transaction.

On January 28, 2000, in accordance with the Merger Agreement, Parent commenced the Offer.

## 12. The Merger Agreement; Other Arrangements.

### The Merger Agreement

The following is a summary of the material provisions of the Merger Agreement, a copy of which is filed as an exhibit to the Tender Offer Statement on Schedule TO filed by Parent and Purchaser pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act with the Commission in connection with the Offer (the "Schedule TO"). The summary is qualified in its entirety by reference to the Merger Agreement, which is deemed to be incorporated by reference herein.

The Offer. The Merger Agreement provides for the making of the Offer. The obligation of Purchaser to accept for payment and pay for Shares tendered pursuant to the Offer is subject to the satisfaction or waiver of the Minimum Condition and certain other conditions that are described in Section 17--"Certain Conditions of the Offer." Pursuant to the Merger Agreement, without the consent of the Company, Parent may not extend the Offer beyond April 30, 2000, except for a 10 day extension if at least 90% of the Shares have not been tendered and can also elect a Subsequent Offering Period following acceptance of Shares for purchase to the extent permitted by Rule 14d-11 of the Exchange Act. In addition, if at any scheduled expiration date the conditions of the Offer have not been satisfied or waived by Parent, but are capable of being satisfied, Parent will from time to time extend the Offer until such conditions are satisfied or waived, provided that Purchaser is not required to extend the Offer beyond April 30, 2000. Subject to the foregoing restrictions, Parent has the right (but is not obligated), in its sole discretion, to extend the period during which the Offer is open by giving oral or written notices of extension to the depository in such offer by making a public announcement of such extension.

Neither Parent nor Purchaser will, without the prior consent of the Company, decrease the Offer Price or the number of Shares sought pursuant to the Offer, or otherwise amend or add any term or condition of or to the Offer, except as otherwise expressly permitted in or contemplated by the Merger Agreement. The Company will not unreasonably withhold consent to a change in the expiration date of the Offer. Parent can waive any other condition to the Offer in its discretion.

For information concerning directors of the Company prior to consummation of the Merger, see Section 13--"Purpose of the Offer; Plans for the Company."

Directors. The Merger Agreement provides that effective upon the acceptance for payment of Shares, Parent shall be entitled to designate at least such number of directors, rounded up to the next whole number, on the Company Board that equals the product of (i) the total number of directors on the Company Board (determined after giving effect to the directors elected pursuant to this sentence) and (ii) the percentage that the aggregate number of Shares beneficially owned by Parent or its affiliates (including Shares accepted for payment pursuant to the Offer) bears to the total number of Shares then outstanding and the Company will, upon request of Parent promptly take all actions necessary to cause Parent's designees to be so elected, including, if necessary, seeking the resignations of one or more existing directors; provided, however, that before the Effective Time, the Board will always have at least two members who are neither officers, directors, shareholders or designees of Parent or any of its affiliates (the "Parent Insiders"). Following the election or appointment of the Parent's designees and before the Effective Time, any amendment or termination of the Merger Agreement by the Company, or any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or Purchaser or waiver of any of the Company's rights thereunder, will require the concurrence of a majority of the directors of the Company then in office who are not Parent Insiders, if such amendment termination, extension, waiver or action would have an adverse effect on the minority shareholders of the Company.

Equity Derivatives. As of the Effective Time, the outstanding options to purchase Shares, warrants, calls, and other rights to acquire Shares, including securities convertible into or exchangeable for Shares (collectively, "Equity Derivatives"), will be canceled, redeemed or repurchased by the Company, and each holder of Equity Derivatives will receive the aggregate Merger Consideration that such holder would have received pursuant to this Offer if the holder had tendered the Shares underlying such Equity Derivatives, less the aggregate exercise or purchase price of such underlying Shares (subject to any applicable withholding tax).

The Merger. The Merger Agreement provides that as soon as practicable after the satisfaction or waiver of each of the conditions to the Merger set forth therein, Purchaser will be merged with and into the Company. Following the Merger, the separate existence of Purchaser will cease, and the Company will continue as the Surviving Company, wholly owned by Parent.

If required by the DGCL, the Company shall call and hold a meeting of its shareholders (the "Company Shareholders' Meeting") promptly following consummation of the Offer for the purpose of voting upon the approval of the Merger Agreement. At any such meeting all outstanding Shares then owned by Parent or Purchaser or any subsidiary of Parent shall be voted in favor of approval of the Merger.

Pursuant to the Merger Agreement, each Share outstanding immediately before the Effective Time (other than Shares owned beneficially or of record by Parent or any subsidiary of Parent or held in the treasury of the Company, all of which will be cancelled, and other than Shares which are held by shareholders, if any, who properly exercise their appraisal rights under the DGCL) will be converted into the right to receive the Merger Consideration except as described below. Shareholders who perfect their right to appraisal of their Shares under the DGCL shall be entitled to the amounts determined pursuant to such proceedings. See Section 13--"Purpose of the Offer; Plans for the Company."

Representations and Warranties. The Merger Agreement contains customary representations and warranties of the parties thereto, including representations by the Company as to its corporate existence and power, capitalization, corporate authorizations, subsidiaries, Commission filings, financial statements, absence of certain changes (including any material adverse effect in the business, assets, operations, conditions (financial or otherwise), results of operations, properties, earnings, customer and supplier relations (including co-packers), or contractual rights considered as a whole, or employee or sales representative relations, considered as a whole, that would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect (as defined in the Merger Agreement) on the Company), absence of undisclosed liabilities, government authorizations, absence of litigation, compliance with laws, employee matters, labor matters, certain contracts, taxes, intellectual property, brokers, the opinion of the Company's financial advisor, noncontravention, title to properties, insurance, affiliated transactions, required shareholder vote and state takeover laws.

Company Covenants. The Merger Agreement contains various customary covenants of the parties thereto. A description of certain of these covenants follows:

Conduct of Business. Prior to the Effective Time, except as otherwise set forth in the Merger Agreement or the Disclosure Schedule thereto, or approved by Parent, the Company will:

(1) conduct its business in the ordinary course and such that, as of the Effective Time, the closing conditions set forth in the Merger Agreement will be met;

(2) use commercially reasonable efforts to (a) maintain, preserve and renew all customer and supplier relationships, material contracts, licenses, authorizations and permits necessary to the conduct of its business, (b) retain key employees, (c) preserve the goodwill of its business and (d) otherwise satisfy its contractual obligations;

(3) continue its insurance policies in full force;

(4) pay and discharge all taxes and material claims (unless contested in good faith) and refrain from making any material tax election;

(5) comply with (a) all other obligations the Company has or incurs pursuant to material contracts, as such obligations become due (unless contested in good faith) and (b) all applicable laws;

(6) not engage in an extraordinary corporate transaction;

(7) not (a) incur indebtedness other than under the Company's existing credit line, (b) make any loans, advances or capital contributions to, or investments in, any person or entity, subject to limited exceptions, (c) enter into, terminate or amend any material contract other than in accordance with past practice or (d) make any capital expenditure in excess of \$250,000 that is not currently budgeted;

(8) not amend its certificate of incorporation or bylaws;

(9) not (a) authorize, issue or provide for the issuance of capital stock or Equity Derivatives, (b) enter into any contract with respect to the purchase or voting of capital stock or Equity Derivatives, (c) adjust, split, combine, reclassify or amend any material term of the Shares or (d) make any other change in its capital structure;

(10) not declare, set aside or pay dividends or purchase or redeem any capital stock or Equity Derivative;

(11) maintain its accounting policies in accordance with past practice and generally accepted accounting principles;

(12) not settle or compromise any suit or claim for an amount which would exceed \$1 million; and

(13) not take any action or fail to take action that would result in a breach of any representation or warranty in the Merger Agreement.

No Solicitation. The Company will not directly or indirectly (1) solicit, initiate or encourage any Acquisition Proposal, (2) engage in negotiations or substantive discussions concerning, provide any non-public information to any third party relating to, or take any other actions to facilitate an Acquisition Proposal or (3) enter into any agreement relating to an Acquisition Proposal. The term "Acquisition Proposal" is defined in the Merger Agreement to mean any inquiry or proposal that constitutes or would reasonably be expected to lead to a proposal or offer for a merger or certain other extraordinary transactions. The foregoing will not prohibit the Company from complying with Rule 14e-2 under the Exchange Act.

Notwithstanding the foregoing, the Company may furnish, at any time before the closing of the Offer, non-public information to, or enter discussions with respect to any unsolicited bona fide written proposal for an Acquisition Proposal, but only to the extent (1) the Company Board determines after consultation with counsel that doing so is required by its fiduciary duties and, (2) (a) the Acquisition Proposal identifies a price or range of values and (b) the Acquisition Proposal constitutes a Superior Proposal and (3) before taking action on such Acquisition Proposal the Company receives an executed confidentiality and standstill agreement no less favorable to the Company than the agreement executed by Parent. The term "Superior Proposal" means an Acquisition Proposal that is reasonably capable of being completed on substantially the terms proposed and would result in greater value to shareholders than the transaction contemplated by the Merger Agreement.

The Company has agreed to notify Purchaser promptly, and in any event within 24 hours, after receiving an Acquisition Proposal.

Parent Covenants, Indemnification and Insurance. The Merger Agreement provides that after the Effective Time, Parent will cause the Surviving Company to indemnify and hold harmless each present and former director and officer of the Company from liabilities for acts or omissions occurring at or prior to the Effective Time to the fullest extent required under applicable law and the Company's certificate of incorporation and bylaws. In addition, the Merger Agreement provides that for six years after the Effective Time, the Surviving Company will maintain directors' and officers' liability insurance covering those persons who are currently covered by the Company's existing directors' and officers' liability insurance policy on terms substantially no less advantageous to such persons than such existing insurance provided that the Surviving Company will not be obligated to pay more than 200% of the current annual premiums.

Employees, Employee Benefits. The Merger Agreement contains certain covenants relating to the treatment of employees of the Company after consummation of the Offer. Parent (1) intends to cause the Surviving Company to provide benefits to employees of the Surviving Company that are no less favorable than those in effect on the date of the Merger Agreement; (2) will honor all legally imposed obligations relating to employment matters; (3) will pay 1999 annual bonuses under the Company's 1999 Bonus plan; and (4) will recognize time served with the Company for determination of eligibility and vesting under benefit plans of the Surviving Company (but not for level or accrual of benefits).

Conditions to the Merger. The obligations of Parent, Purchaser and the Company to consummate the Merger are subject to the satisfaction of the following conditions at or prior to the Effective Time:

(1) if required by the DGCL, the approval of the Merger Agreement by the shareholders of the Company in accordance with such law; and

(2) the absence of any injunction, order, statute, regulation, rule order or judgment that shall prohibit consummation of the Merger.

In addition, the obligations of Parent and Purchaser to consummate the Merger are further subject to the satisfaction of following conditions at or prior to the Effective Time:

(1) performance by the Company in all material respects of the covenants and agreements set forth in the Merger Agreement;

(2) the truth and correctness in all material respects of the representations and warranties of the Company set forth in the Merger Agreement;

(3) the absence of a material adverse change in the condition (financial or otherwise), results of operations, business, prospects or contractual rights of the Company, except for such changes resulting from compliance with the Merger Agreement or the Offer;

(4) the absence of any action commenced after completion of the Offer deemed likely to succeed, that seeks an injunction, restraining order or other order to prohibit, restrain, invalidate or set aside consummation of the Merger or would have, if successful, a Material Adverse Effect (as defined in the Merger Agreement) on the Company;

(5) the absence of any condition or event that has resulted in, or would reasonably be expected to result in a Material Adverse Effect;

(6) the Company shall have obtained all material consents, waivers, approvals, authorizations or waivers;

(7) the Company shall have taken all action for the cancellation, redemption or repurchase of Equity Derivatives; and

(8) delivery by the Company of an officer's certificate as to the Company's satisfaction of the foregoing conditions.

The obligations of the Company to consummate the Merger are further subject to the satisfaction of the following conditions at or prior to the Effective Time:

(1) performance by the Parent and Purchaser in all material respects of the covenants and agreements set forth in the Merger Agreement;

(2) the truth and correctness in all material respects of the representations and warranties of Purchaser and Parent set forth in the Merger Agreement; and

(3) delivery by Purchaser and Parent of an officer's certificate as to their satisfaction of the foregoing conditions.

Termination. The Merger Agreement may be terminated at any time prior to the Effective Time:

(1) by consent of Purchaser, Parent and the Company;

(2) by either Parent or the Company if there has been any material breach of any representation, warranty, covenant or agreement on the part of the non-terminating party, which breach will cause any condition to the obligation of the terminating party to consummate the Merger not to be satisfied, and the same is not cured within five days after notice to the party in breach;

(3) by either Parent or the Company, if the Merger shall not have been consummated by June 30, 2000 (provided that the right to terminate shall not be available to any party whose failure to fulfill any obligation under the Merger Agreement has caused or resulted in the failure of the Merger to occur on or before such date);

(4) by either Parent or the Company, if any governmental entity prohibits the transaction by final, nonappealable order, decree or ruling;

(5) by the Company before closing of the Offer, upon notice to Parent, if the Company Board withdraws or adversely modifies its approval or recommendation of the Merger Agreement, or Merger, or the Company executes an agreement relating to a Superior Proposal, and is not in violation of the nonsolicitation provisions of the Merger Agreement;

(6) by Parent, upon notice to the Company, if the Company Board has failed to recommend or withdrawn or modified or publicly announced an intention to take any one of the foregoing actions in a manner materially adverse to Parent or the Company Board approves, recommends or enters into any Acquisition Proposal or publicly announces its intention to do so;

(7) by Parent, if another person or group acquires beneficial ownership of more than 50% of the Shares;

(8) by Parent, if it is not in breach of the Merger Agreement and, as a result of the failure of the conditions to the Offer, as described in Section 17 of this Offer to Purchase, has: (a) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (b) terminated the Offer without purchasing Shares or (c) failed to accept payment for the Shares before April 30, 2000, which date may be extended upon certain events;

(9) by Parent, if the Offer terminates due to the failure of the Minimum Condition;

(10) by Parent, if the shareholders of the Company fail to approve the Merger and the Merger Agreement;

(11) by Parent, if the Company or any of its affiliates materially and knowingly breach the nonsolicitation covenants; and

(12) by the Company, if the Company is not in material breach under the Merger Agreement, and Parent has: (a) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (b) terminated the Offer without purchasing Shares or (c) failed to accept for payment Shares pursuant to the Offer before April 30, 2000, which date may be extended upon certain events.

If the Merger Agreement is terminated, it will become void and there will be no liability on the part of the Company, Parent or Purchaser, except for obligations regarding confidentiality and press releases and certain fees and expenses payable pursuant to the Merger Agreement (see "Fees and Expenses"), provided, however, that no such termination shall relieve any party from liability for any willful breach of the Merger Agreement.

Fees and Expenses. Except as otherwise specified in the following sentence, all costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby shall be paid by the party incurring such cost or expense.

If this Agreement is terminated as set forth below, the Company will within two business days of such termination pay to Parent, by wire transfer in immediately available funds, a fee of \$5 million (the "Termination Fee") and an amount (not to exceed \$1 million) to reimburse Parent for its documented out of pocket expenses incurred in connection with the Transactions (the "Expense Payment"). The Termination Fee and Expense Payment apply where the Merger Agreement is terminated:

(1) as a result of the Company's intentional and willful breach;

(2) as a result of (a) the Company Board failing to recommend or withdrawing or modifying in a manner materially adverse to the Parent, its approval or recommendation as to the Merger Agreement, the Offer or the Merger as a result of an Acquisition Proposal or a Superior Proposal or (b) termination of the Merger Agreement by the Company Board concurrently with the execution of an Acquisition Agreement in connection with a Superior Proposal in the manner permitted by the terms of the Merger Agreement;

(3) As a result of the acquisition by another person or group of beneficial ownership of Shares representing more than 50% of the Shares;

(4) as a result of any of the following in the event that the Minimum Condition is not satisfied and either an Acquisition Proposal has been publicly announced or the Company Board has failed to recommend or has withdrawn, or modified in a manner materially adverse to the Parent, approval or recommendation by the Company Board of this Agreement, the Offer or the Merger:

(a) failure of any of the conditions to the Offer, as described in Section 17 of this Offer to Purchase has resulted in Parent's failure to commence the Offer within the time required by Regulation 14D under the Exchange Act, termination of the Offer without purchasing Shares pursuant to the Offer, or failure to accept payment for the Shares pursuant to the Offer before April 30, 2000, subject to extension in certain events.

(b) failure of the Offer due to the failure of the Minimum Condition; or

(c) failure of the shareholders of the Company to approve the Merger and the Merger Agreement; or

(5) as a result of a material and knowing breach by the Company or any of its affiliates of the non-solicitation covenants contained in the Merger Agreement.

Notwithstanding the foregoing, the Company will within two business days of termination pay only the Expense Payment to Parent by wire transfer in immediately available funds if the Merger Agreement is terminated by the Company's material breach (where such breach is neither intentional nor wilful). The Company will pay Parent the Termination Fee and the Expense Payment if within one year of termination by Parent due to failure of the conditions to the Offer described in Section 17 of this Offer to Purchase an Acquisition Agreement that would constitute an Acquisition Proposal is entered into or consummated.

Amendments and Waivers. Any provision of the Merger Agreement may be amended or waived at any time; provided, however, that after adoption of the Merger Agreement by the shareholders of the Company, no amendment may be made which decreases the Offer Price or in any other way materially and adversely affects the rights of such shareholders (other than termination in accordance with its terms) without the approval of such shareholders.

The Support Agreements.

The following is a summary of the material provisions of the Support Agreements, the form of which is filed as an exhibit to the Schedule TO. The summary is qualified in its entirety by reference to the form of Support Agreement, which is deemed incorporated herein by reference. On January 21, 2000, Parent entered into Support Agreements with each of Thomas R. Davidson, James A. Wolfe, Richard G. Lamb and any entities controlled by Messrs. Davidson, Wolfe and Lamb (collectively, the "Sellers"), with respect to the 6,999,718 Shares owned by the Sellers representing approximately 54% of the outstanding Shares (approximately 51% on a fully-diluted basis) (the "Tender Shares"). Pursuant to the Support Agreements the Sellers agreed to tender and not withdraw their shares (or cause the record owner of such shares to validly tender), pursuant to and in accordance with the terms of the Offer, as soon as practicable after commencement of the Offer but in no event later than five business days after the date of commencement of the Offer. The Sellers further agreed that, until the Expiration Date (defined below), at any meeting of the shareholders of the Company (or in any written consent in lieu thereof), they will each:

(1) vote the Tender Shares in favor of the Merger;

(2) vote the Tender Shares against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement; and

(3) vote the Tender Shares against any action or agreement (other than the Merger Agreement or the transactions contemplated thereby) that would impede, interfere with, delay, postpone or attempt to discourage the Merger or the Offer.

With respect to each Support Agreement, the term "Expiration Date" means the first to occur of

- (1) the Effective Time,
- (2) termination or withdrawal of the Offer by Parent or Purchaser, and
- (3) written notice of termination of the Support Agreement by Parent to Seller.

In order to facilitate the commitment of the Sellers provided above, each Seller granted to Parent an irrevocable proxy to vote all Tender Shares with respect to all matters on which the Tender Shares are entitled to vote at all times from the execution of the Support Agreement through the Expiration Date.

Each Seller agreed that, except as contemplated by the Support Agreement, he shall not:

- (1) transfer or consent to any transfer of, any or all of the Tender Shares or any interest therein;
- (2) enter into any contract, option or other agreement or understanding with respect to any transfer of any or all of the Tender Shares or any interest therein;
- (3) grant any proxy, power-of-attorney or other authorization in or with respect to the Tender Shares;
- (4) deposit the Tender Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Tender Shares; or
- (5) take any other action that would in any way restrict, limit or interfere with the performance of Seller's obligations under the Support Agreement or the transactions contemplated hereby or by the Merger Agreement or which would make any representation or warranty of Seller under the Support Agreement untrue or incorrect; provided that Seller may transfer the Tender Shares to one or more affiliates or one or more members of Seller's immediate family, or a trust, the sole beneficiaries of which are members of Seller's immediate family, if any such transferee agrees in writing (in form and substance reasonably satisfactory to Purchaser) to be bound by the terms of the Support Agreement.

Each Seller agreed that during the term of their Support Agreement, he will comply with the non-solicitation provisions of Sections 6.6(a)-(c) and 6.6.1 of the Merger Agreement as though such provisions by their terms applied to Seller and his affiliates and advisors.

Pursuant to the Support Agreements each Seller waived any rights of appraisal or rights to dissent from the Merger that he may have. The Support Agreements contained customary representations and warranties of the Sellers including representations relating to title and ownership of the Tender Shares, power to enter into the Support Agreement and noncontravention.

Organizational Transition Plan. Representatives of Parent have discussed with senior management of the Company their continued employment with the Company. On January 21, 2000, Parent agreed to employment terms with certain officers of the Company. These employment terms are discussed more fully in the Organizational Transition Plan, which was filed as Exhibit 19 to the Parent's Schedule TO, dated January 28, 2000, and is incorporated by reference herein.

### 13. Purpose of the Offer; Plans for the Company

Purpose of the Offer. The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. The purpose of the Merger is to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. If the Offer is successful, Purchaser intends to consummate the Merger as promptly as practicable.

The Company Board has approved the Merger and adopted the Merger Agreement. Depending upon the number of Shares purchased by Purchaser pursuant to the Offer, the Company Board may be required to submit the Merger Agreement to the Company's shareholders for approval at a shareholder's meeting convened for that purpose in accordance with Delaware Law. If shareholder approval is required, the Merger Agreement must be approved by a majority of all votes entitled to be cast at such meeting.

If the Minimum Condition is satisfied, Purchaser will have sufficient voting power to approve the Merger Agreement at the shareholders' meeting without the affirmative vote of any other shareholder. If Purchaser acquires at least 90% of the Shares pursuant to the Offer, the Merger may be consummated without a shareholders' meeting and without the approval of the Company's shareholders. The Merger Agreement provides that Purchaser will be merged into the Company and that the certificate of incorporation and bylaws of Purchaser will be the certificate of incorporation and bylaws of the Surviving Company following the Merger provided that, at the Effective Time, such certificate of incorporation shall be amended to provide that the name of the corporation shall be "Balance Bar Company."

Under the DGCL, holders of Shares do not have appraisal rights as a result of the Offer. In connection with the Merger, however, shareholders of the Company may have the right to dissent and demand appraisal of their Shares under the DGCL. Dissenting shareholders who comply with the applicable statutory procedures under the DGCL will be entitled to receive a judicial determination of the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash. Any such judicial determination of the fair value of the Shares could be based upon considerations other than or in addition to the price per Share paid in the Merger and the market value of the Shares. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court stated, among other things, that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in an appraisal proceeding. Shareholders should recognize that the value so determined could be higher or lower than the price per Share paid pursuant to the Offer or the consideration per Share to be paid in the Merger. Moreover, Purchaser may argue in an appraisal proceeding that, for purposes of such a proceeding, the fair value of the Shares is less than the price paid in the Offer or the Merger.

In addition, several decisions by Delaware courts have held that, in certain circumstances a controlling shareholder of a company involved in a merger has a fiduciary duty to other shareholders which requires that the merger be fair to such other shareholders. In determining whether a merger is fair to minority shareholders, Delaware courts have considered, among other things, the type and amount of consideration to be received by the shareholders and whether there was fair dealing among the parties. The Delaware Supreme Court stated in *Weinberger and Rabkin v. Philip A. Hunt Chemical Corp.* that although the remedy ordinarily available to minority shareholders in a cash-out merger is the right to appraisal described above, a damages remedy or injunctive relief may be available if a merger is found to be the product of procedural unfairness, including fraud, misrepresentation or other misconduct.

Plans for the Company. Pursuant to the terms of the Merger Agreement, effective upon the acceptance for payment of Shares pursuant to the Offer, Parent currently intends to seek maximum representation on the Company Board, subject to the Company's right to maintain through the Effective Time at least two directors who are not officers or affiliates of Purchaser, Parent or any of their respective subsidiaries. Purchaser currently intends, as soon as practicable after consummation of the Offer, to consummate the Merger.

In connection with its consideration of the Offer, Purchaser and Parent have made a preliminary review of various potential business strategies that they intend to pursue in the event that Purchaser acquires control of the Company. Such strategies are expected to include a significant expansion of the sales of the existing products as well as the launch of new products currently under development. In addition, the Parent will explore potential reporting relationships, including alignment of activities of the Company with the Parent's Beverages and Desserts Division.

Except as described above or elsewhere in this Offer to Purchase, Purchaser and Parent have no present plans that would relate to or result in an extraordinary corporate transaction involving the Company or any of their respective subsidiaries (such as a merger, reorganization, liquidation, relocation of any operations or sale or other transfer of a material amount of assets), any sale or transfer of a material amount of assets of the Company or any of its subsidiaries, any change in the Company Board or management, any material change in the Company's capitalization or dividend policy or any other material change in the Company's corporate structure or business.

#### 14. Certain Effects of the Offer

**Market for the Shares.** The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly, which could adversely affect the liquidity and market value of the remaining Shares held by shareholders other than Purchaser. Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction would cause future market prices to be greater or less than the Offer Price.

**Stock Quotation.** Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued inclusion in the Nasdaq National Market. If, as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meet the criteria for continuing inclusion in the Nasdaq National Market, the market for the Shares could be adversely affected. According to the Nasdaq's National Market's published guidelines, the Shares would not be eligible for continued listing if, among other things, the number of Shares publicly held falls below 750,000, the number of beneficial holders of Shares falls below 400 (round lot holders) or the aggregate market value of such publicly-held Shares does not exceed \$5 million. If the Shares were no longer eligible for inclusion in the Nasdaq National Market, they may nevertheless continue to be included in the Nasdaq SmallCap Market unless, among other things, the public float was less than 500,000 Shares, or there were fewer than 300 shareholders (round lot holders) in total, or the market value of public float was less than \$1 million. If the Shares are no longer eligible for inclusion in the Nasdaq National Market or the Nasdaq SmallCap Market, the Shares might still be quoted on the OTC Bulletin Board. The extent of the public market for the Shares and the availability of such quotations would, however, depend upon the number of holders of such Shares remaining at such time, the interest in maintaining a market in such Shares on the part of securities firms, the possible termination of registration of such Shares under the Exchange Act as described below, and other factors.

**Margin Regulations.** The Shares are currently "margin securities" under the Regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding the market for the Shares and stock quotations, it is possible that, following the Offer, the Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers.

**Exchange Act Registration.** The Shares are currently registered under Section 12(g) of the Exchange Act. Such registration may be terminated upon application of the Company to the Commission if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its shareholders and to the Commission and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with shareholders' meetings and the related requirement of furnishing an annual report to shareholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 promulgated under the Securities

Act of 1933, as amended, may be impaired or eliminated. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for inclusion on the Nasdaq National Market. Parent and Purchaser currently intend to seek to cause the Company to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Offer as the requirements for termination of registration are met.

#### 15. Dividends and Distributions.

The Merger Agreement provides that from the date of the Merger Agreement to the Effective Time, without the prior approval of Parent, the Company will not declare, set aside, pay or make any dividend or other distribution or payment (whether in cash, stock or property) with respect to, or purchase or redeem, any capital stock or Equity Derivatives.

#### 16. Extension of Tender Period; Termination; Amendment.

Purchaser cannot, without the Company's consent, extend the Offer beyond April 30, 2000, except that Purchaser can extend the Offer for up to ten business days if, as of such date, there have not been tendered at least ninety percent of the outstanding Shares. In addition, if at any scheduled expiration date any of the conditions of the Offer have not been satisfied or waived by Purchaser, but are capable of being satisfied, Purchaser will from time to time extend the Offer until such conditions are satisfied or waived, provided that Purchaser will not be required to extend the Offer beyond April 30, 2000. Subject to the foregoing restrictions, Purchaser has the right (but is not obligated), in its sole discretion, to extend the period during which the Offer is open by giving oral or written notices of extension to the depository in such offer and by making a public announcement of such extension.

Neither Purchaser nor Parent will, without the prior consent of the Company, decrease the Offer Price or the number of Shares sought pursuant to the Offer, or otherwise amend or add any term or condition of or to the Offer, except as otherwise expressly permitted in or contemplated by the Merger Agreement. The Company will not unreasonably withhold consent to a change in the Expiration Date of the Offer. Purchaser can waive any other condition to the Offer in its discretion.

If, with the Company's consent, Purchaser decreases the percentage of Shares being sought or increases or decreases the consideration to be paid for Shares pursuant to the Offer and the Offer is scheduled to expire at any time before the expiration of a period of 10 business days from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified below, the Offer will be extended until the expiration of such period of 10 business days. If Purchaser makes a material change in the terms of the Offer (other than a change in price or percentage of securities sought) or in the information concerning the Offer, or waives a material condition of the Offer, Purchaser will extend the Offer, if required by applicable law, for a period sufficient to allow the Company's shareholders to consider the amended terms of the Offer. In a published release, the Commission has stated that in its view an offer must remain open for a minimum period of time following a material change in the terms of such offer and that the waiver of a condition such as the Minimum Condition is a material change in the terms of an offer. The release states that an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to security holders, and that if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of 10 business days may be required to allow adequate dissemination and investor response.

Purchaser also reserves the right, in its sole discretion, in the event any of the conditions specified in Section 17--"Certain Conditions to the Offer" shall not have been satisfied and so long as Shares have not theretofore been accepted for payment, to delay (except as otherwise required by applicable law) acceptance for payment of or payment for Shares or, except as described above, to terminate the Offer and not accept for payment or pay for Shares.

If Purchaser extends the period of time during which the Offer is open, is delayed in accepting for payment or paying for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, on behalf of Purchaser, retain all Shares tendered, and such Shares may not be withdrawn except as otherwise provided in Section 4--"Withdrawal Rights." The reservation by Purchaser of the right to delay acceptance for payment of or payment for Shares is subject to applicable law, which requires that Purchaser pay the consideration offered or return the Shares deposited by or on behalf of shareholders promptly after the termination or withdrawal of the Offer.

Any extension, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof. Without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser will have no obligation (except as otherwise required by applicable law) to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service. In the case of an extension of the Offer, Purchaser will make a public announcement of such extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

#### 17. Certain Conditions of the Offer.

Notwithstanding any other provision of the Offer, Parent and Purchaser will not be required to accept for payment of or pay for any Shares tendered pursuant to the Offer and may, subject to the terms of the Merger Agreement, terminate the Offer, because:

(1) the Minimum Condition has not been satisfied or waived pursuant to the Merger Agreement by the scheduled expiration date;

(2) any applicable waiting period under the HSR Act has not expired or been terminated before the expiration of the Offer;

(3) there shall have occurred, and continued to exist, (i) a declaration of a general banking moratorium or any general suspension of payments in respect of banks in the United States, (ii) a commencement of war, armed hostilities or other national or international crisis directly or indirectly involving the United States, (iii) any limitation by any Governmental Entity on, or any other event which materially and adversely affects, the extension of credit by banks or other lending institutions in the United States, or (iv) in the case of any of the foregoing clauses (i) through (iii) existing at the time of the commencement of the Offer, a material acceleration or worsening thereof (but in each case, other than any occurrence, acceleration or worsening which does not (A) have a Material Adverse Effect on the Company or (B) have a Material Adverse Effect on the ability of Purchaser to acquire the Shares);

(4) at any time on or after the date of the Merger Agreement, and before the expiration of the Offer, any of the following conditions exist:

(a) the Company has breached, or failed to comply with, any of its obligations under the Merger Agreement where such breach or failure to comply would have a Material Adverse Effect on the Company; or

(b) any representation or warranty of the Company in the Merger Agreement that is qualified as to materiality was incorrect when made or has since ceased to be true and correct or any representation or warranty that is not so qualified was incorrect in any material respect when made or has since ceased to be true and correct in all material respects (in each case, except for such representations and warranties made as of a specific date, which must be true and correct as of such date); and

(c) which breach in either clause (a) or (b) has not been cured before the earlier of (A) fifteen days following notice of such breach and (B) two business days before the date on which the Offer expires;

(5) there has been any Action (as defined in the Merger Agreement) commenced by or before any federal, state or local court or Government Entity (as defined in the Merger Agreement) or other regulatory body, or threatened by any court or federal, state or local Government Entity, that has a reasonable likelihood of success and that, if decided adversely to the Company, would reasonably be expected to have a Material Adverse Effect on the Company or, if decided adversely to Parent, would have the effect of:

(a) making the purchase of, or payment for, some or all of the Shares pursuant to the Offer or the Merger or otherwise, illegal, or resulting in a material delay in the ability of Parent or Purchaser to accept for payment or pay for some or all of the Shares,

(b) seeking to prohibit Parent's or Purchaser's ownership or operation of all or any material portion of the Company's business or assets, or to compel Parent or Purchaser to dispose of or hold separately all or any material portion of the Company's or Parent's business or assets,

(c) otherwise preventing consummation of the Offer or the Merger,

(d) imposing limitations on the ability of Parent or Purchaser effectively (A) to acquire, hold or operate the business of the Company taken as a whole or (B) to exercise full rights of ownership of the Shares acquired by it, including, but not limited to, the right to vote the Shares purchased by it on all matters properly presented to the shareholders of the Company, which, in either case, would effect a material diminution in the value of the Company or the Shares or Parent's or Purchaser's control of the Company;

(6) the Agreement has been terminated in accordance with its terms, or Parent or Purchaser has reached an agreement or understanding in writing with the Company providing for termination or amendment of the Offer;

(7) any Person or Group, other than Parent, Purchaser or any of their affiliates, has (i) become the beneficial owner of 50% or more of the outstanding Shares or (ii) entered into a definitive agreement or an agreement in principle with the Company with respect to an Acquisition Proposal; or

(8) the Company's Board has publicly (including by amendment of its Schedule 14D-9) withdrawn or adversely modified its recommendation of acceptance of the Offer or has resolved to do so or publicly stated its intention to do so.

Except as expressly set forth in the Merger Agreement, the foregoing conditions are for the sole benefit of Parent and Purchaser and may be asserted by Parent or Purchaser regardless of the circumstances giving rise to any such condition and, subject to the terms of the Merger Agreement, may be waived by Parent or Purchaser in whole or in part, at any time and from time to time, in the sole discretion of Parent or Purchaser.

#### 18. Certain Legal Matters; Regulatory Approvals.

General. Purchaser is not aware of any material pending legal proceeding relating to the Offer. Based on its examination of publicly available information filed by the Company with the Commission and other publicly available information concerning the Company, Purchaser is not aware of any governmental license or regulatory permit that appears to be material to the Company's business that might be adversely affected by Purchaser's acquisition of Shares as contemplated herein or, except as set forth below, of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by Purchaser or Parent as contemplated herein. Should any such approval or other action be required, Purchaser currently contemplates that, except as described below under "State Takeover Statutes", such approval or other action will be sought. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that if such approvals were not obtained or such other actions were not taken, adverse consequences might not result to the Company's business, or certain parts of the Company's business might not have to be disposed of, any of which could cause Purchaser to elect to terminate the Offer without the purchase of Shares thereunder under certain conditions. See Section 17--"Certain Conditions of the Offer."

State Takeover Statutes. A number of states have adopted laws which purport, to varying degrees, to apply to attempts to acquire corporations that are incorporated in, or which have substantial assets, shareholders, principal executive offices or principal places of business or whose business operations otherwise have substantial economic effects in, such states. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted such laws. Except as described herein, Purchaser does not know whether any of these laws will, by their terms, apply to the Offer or the Merger or any other business combination between Purchaser or any of its affiliates and the Company, and has not complied with any such laws. To the extent that certain provisions of these laws purport to apply to the Offer or the Merger or other business combination, Purchaser believes that there are reasonable bases for contesting such laws.

In 1982, in *Edgar v. MITE Corp.*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquiror from voting shares of a target corporation without the prior approval of the remaining shareholders where, among other things, the corporation is incorporated in, and has a substantial number of shareholders in, the state. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a Federal District Court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent Regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a Federal District Court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit.

If any government official or third party should seek to apply any state takeover law to the Offer or the Merger or other business combination between Purchaser or any of its affiliates and the Company, Purchaser will take such action as then appears desirable, which action may include challenging the applicability or validity of such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover statutes is applicable to the Offer or the Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities or holders of Shares, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer or the Merger. In such case, Purchaser may not be obligated to accept for payment or pay for any tendered Shares. See Section 16--"Extension of Tender Period; Termination; Amendment" and Section 17--"Certain Conditions of the Offer."

Antitrust in the United States. Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the FTC and certain waiting period requirements have been satisfied. The purchase of Shares pursuant to the Offer is subject to such requirements.

Pursuant to the requirements of the HSR Act, Purchaser expects to file a Notification and Report Form with respect to the Offer and Merger with the Antitrust Division and the FTC on or about January 28, 2000. As a result, the waiting period applicable to the purchase of Shares pursuant to the Offer is scheduled to expire at 11:59 p.m., New York City time, 15 days after such filing. However, prior to such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the Offer from Purchaser. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, on the tenth day after substantial compliance by Purchaser with such request. Thereafter, such waiting period can be extended only by court order.

A request is being made pursuant to the HSR Act for early termination of the waiting period applicable to the Offer. There can be no assurance, however, that the applicable 15-day HSR Act waiting period will be terminated early. Shares will not be accepted for payment or paid for pursuant to the Offer until the expiration or early termination of the applicable waiting period under the HSR Act. See Section 17--"Certain Conditions of the Offer." Any extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. See Section 4--"Withdrawal Rights." If Purchaser's acquisition of Shares is delayed pursuant to a request by the Antitrust Division or the FTC for additional information or documentary material pursuant to the HSR Act, the Offer will be extended in certain circumstances. See Section 16--"Extension of Tender Period; Termination; Amendment" and Section 17--"Certain Conditions of the Offer."

The Antitrust Division and the FTC scrutinize the legality under the antitrust laws of transactions such as the acquisition of Shares by Purchaser pursuant to the Offer. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could take such action under the antitrust laws of the United States as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking divestiture of the Shares so acquired or divestiture of substantial assets of Parent or the Company. Private parties (including individual States) may also bring legal actions under the antitrust laws of the United States. Purchaser does not believe that the consummation of the Offer will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See Section 17--"Certain Conditions of the Offer", including conditions with respect to litigation and certain governmental actions and Section 12--"The Merger Agreement; Other Arrangements" for certain termination rights.

#### 19. Appraisal Rights.

If the Merger is consummated, shareholders of the Company may have the right to dissent and demand appraisal of their Shares under the DGCL. See Section 13--"Purpose of the Offer; Plans for the Company." Under Delaware Law, dissenting shareholders who comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash, together with a fair rate of interest, if any. Any such judicial determination of the fair value of the Shares could be based upon considerations other than or in addition to the Offer Price, the consideration per Share to be paid in the Merger and the market value of the Shares, including asset values and the investment value of the Shares. Shareholders should recognize that the value so determined could be higher or lower than the price per Share paid pursuant to the Offer or the consideration per Share to be paid in the Merger.

#### 20. Fees and Expenses.

Credit Suisse First Boston is acting as the Dealer Manager in connection with the Offer and as financial advisor to Philip Morris Management Corp., an affiliate of Parent, in connection with Parent's proposed acquisition of the Company. Credit Suisse First Boston will receive reasonable and customary compensation for its services relating to the Offer and will be reimbursed for certain out-of-pocket expenses. Parent and Purchaser have agreed to indemnify Credit Suisse First Boston and certain related persons against certain liabilities and expenses in connection with its engagement, including certain liabilities under the federal securities laws.

Parent and Purchaser have retained D.F. King & Co., Inc. to be the Information Agent and American Stock Transfer & Trust Company to be the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Shares.

The Information Agent and the Depositary each will receive reasonable and customary compensation for their respective services in connection with the Offer, will be reimbursed for reasonable out-of-pocket expenses, and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws.

None of Parent or Purchaser will pay any fees or commissions to any broker or dealer or to any other person (other than to the Dealer Manager, the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

21. Miscellaneous.

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Purchaser may, in its discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to holders of Shares in such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR PURCHASER NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Purchaser has filed with the Commission a Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, together with exhibits furnishing certain additional information with respect to the Offer, and may file amendments thereto. In addition, the Company has filed with the Commission a Solicitation/Recommendation Statement on Schedule 14D-9, together with exhibits, pursuant to Rule 14d-9 under the Exchange Act, setting forth the recommendations of the Company Board with respect to the Offer and the reasons for such recommendations and furnishing certain additional related information. A copy of such documents, and any amendments thereto, may be examined at, and copies may be obtained from, the Commission (but not the regional offices of the Commission) in the manner set forth under Section 7-- "Certain Information Concerning the Company" above.

BB Acquisition, Inc.

January 28, 2000

DIRECTORS AND EXECUTIVE OFFICERS OF  
PARENT AND THE PURCHASER

1. Directors and Executive Officers of Parent.

The name, business address, business phone number, present principal occupation or employment and five-year employment history of each of the directors and executive officers of Parent are set forth below. All directors and executive officers listed below are citizens of the United States.

Name, Age and Business Address -----	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years -----
Robert A. Eckert..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Director, President & Chief Executive Officer (10/23/97 to present); Group Vice President, Kraft Foods North America (7/29/96 to 10/22/97); President, Oscar Mayer (8/23/93 to 7/28/96).
Betsy D. Holden..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President Kraft Foods North America; (12/14/98 to present); Executive Vice President Kraft Cheese (11/17/97 to 12/13/98); Executive Vice President & General Manager Kraft Cheese (7/10/95 to 11/16/97); President Pizza (1/1/95 to 7/9/95); President Tombstone/Jack's Pizza (1/1/94 to 12/31/94).
Calvin J. Collier..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Director, Senior Vice President, General Counsel/Corporate Affairs & Secretary (1/1/95 to present).
Roger K. Deromedi..... Kraft Foods Inc. 800 Westchester Avenue Rye Brook, NY 10573	Director; President & Chief Executive Officer Kraft Foods International (4/99 to Present); Group Vice President Kraft Foods International & President Asia Pacific (12/98 to 4/99); President Western Europe (12/95 to 1/98); Executive Vice President & Area Director France/Iberia/Benelux (1/95 to 12/95).
Edward J. Moy.....	Director; Senior Vice President & General Counsel Kraft Foods International (12/99 to Present); Senior Vice President, General Counsel & Corporate Affairs Kraft Foods International (7/98 to 12/99); Senior Vice President & General Counsel Kraft Foods International (8/95 to 4/98); Vice President, Chief Legal Counsel (5/89 to 8/95).
James P. Dollive..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President Finance & Information Systems (8/1/98 to present); Vice President Finance & Strategy (5/1/97 to 7/31/98); Senior Vice President Strategy, Kraft Food North America (7/29/96 to 4/30/97); Vice President Financial Planning & Analysis (1/1/95 to 7/28/96); Vice President Finance/Systems (3/6/94 to 1/1/95).
Terry M. Faulk..... Kraft Foods, Inc Three Lakes Drive Northfield, IL 60093	Senior Vice President, Human Resources (1/1/95 to present; 2/14/94 to 1/1/95).
Lance A. Friedmann..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President, Marketing Services (9/1/99 to present); Vice President Marketing/Strategy & Development (5/27/97 to 8/31/99); Vice President Marketing Information Services (4/1/96 to 5/26/97); Business Director--Dinners (1/1/95 to 3/31/96).

Name, Age and Business Address	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Lawrence J. Gundrum..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President, Operations (6/17/96 to present); Senior Vice President, Logistics (3/13/95 to 6/16/96); Executive Vice President/General Manager Customer Service (6/20/94 to 3/12/95).
Alene M. Korby..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President, Procurement (9/1/99 to present); Vice President Purchasing (2/23/98 to 8/31/99); Vice President Operations--Dinners (3/25/96 to 2/22/98); Vice President Manufacturing/Food Service Co-Packing (10/9/95 to 3/24/96); Director Food Service Co-Packing (1/16/95 to 10/8/95).
David G. Owens..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President Strategy Kraft Foods North America (8/1/97 to present); Vice President Business Planning (1/1/97 to 7/31/97); Founder, President (Owens Strategy Group, Inc.) (7/1/85 to 12/31/96).
Phillip F. Pellegrino... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President Sales & Customer Service (2/13/95 to present); Executive Vice President Catalog Sales Management; (5/16/94 to 2/12/95); Vice President KUSA Field Sales (1/1/94 to 5/15/94).
John Ruff..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Senior Vice President, R&D and Quality (12/26/99 to present); Senior Vice President, Kraft Food North America Technology (10/7/96 to 12/27/97); Senior Vice President Food International Technology & Scientific Research (8/31/95 to 10/6/96).
Todd C. Brown..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & President Kraft Food Services (4/20/98 to present); Executive Vice President & General Manager Desserts & Snacks (8/26/96 to 4/19/98); Vice President & General Manager--Pollio Cheese (2/28/94 to 8/25/96).
Ann M. Fudge..... Kraft Foods, Inc. 555 S. Broadway Tarrytown, NY 10591	Executive Vice President Kraft Foods North America & President Maxwell House and Post (12/28/97 to present); Executive Vice President Kraft Foods North America-- President Coffee/Cereals (9/9/97 to 12/27/97); Executive Vice President & General Manager (2/21/94 to 9/8/97).
Marla C. Gottschalk..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & General Manager Post Cereals (effective 1/30/00); Vice President Advertising Strategy (2/28/99 to 1/30/00); Vice President Financial Planning & Analysis (8/1/97 to 2/7/99); Vice President Finance & Systems (11/18/96 to 2/16/97); Vice President Finance, Sales/Customer Service (1/16/95 to 11/17/96).
Mary Kay Haben..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & President Kraft Cheese (12/14/98 to present); Executive Vice President Kraft Foods (11/17/97 to 12/13/98); Executive Vice President & General Manager--Enhancers (3/5/97 to 11/16/97); President Pizza (7/10/95 to 3/4/97); Vice President Strategy & Development--Enhancers (1/1/95 to 7/9/95).
Bridgett P. Heller..... Kraft Foods, Inc. 800 Westchester Avenue Rye Brook, NY 10573	Executive Vice President & General Manager Coffee (effective 1/31/00); General Manager Gevalia Kaffe (5/19/97 to 1/31/00); Category Business Director (8/28/95 to 4/14/96); Category Development Manager (12/26/94 to 8/27/95).

Name, Age and Business Address -----	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years -----
David S. Johnson..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & President Beverages and Desserts (12/14/98 to present); Vice President Category Sales Management/Strategy (7/29/96 to 3/4/97); Vice President Strategy (4/1/96 to 7/28/96); Vice President Marketing/Strategy/Development (4/27/92 to 3/31/96).
M. Carl Johnson, III.... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & President New Meals (11/17/97 to present); Executive Vice President & General Manager--Meals (8/23/93 to 11/16/97).
Kevin D. Ponticelli..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & General Manager Pizza (1/17/00 to present); Vice President Category Sales Management & Strategy (9/22/98 to 1/16/00); Vice President Marketing & Strategy (4/1/96 to 9/21/98); Vice President Marketing (4/26/93 to 3/31/96).
Irene B. Rosenfeld..... Kraft Canada Inc. 95 Moatfield Drive Don Mills, ON M3B 3L6 Canada	Executive Vice President & President Kraft Canada (8/26/96 to present); Executive Vice President & General Manager--Desserts and Snacks (11/14/94 to 8/25/96).
Kevin R. Scott..... Kraft Foods, Inc. One Kraft Court Glenview, IL 60025	Executive Vice President & General Manager Boca (1/17/00 to present); Executive Vice President & General Manager Pizza (12/14/98 to 1/16/00); Vice President Marketing & Strategy (1/13/97 to 12/13/98); Director Strategy & Development (3/11/96 to 1/12/97); Director Strategy/GM Jacks (5/9/94 to 3/10/96).
Richard G. Searer..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Executive Vice President & President Oscar Mayer and Pizza (12/14/98 to present); Executive Vice President & President Oscar Mayer (7/29/96 to 12/13/98); Executive Vice President Catalog Sales Management, Strategy & Customer Service (2/13/95 to 7/18/96); Executive Vice President Catalog Sales Management (1/1/95 to 2/13/95).
Paula A. Sneed..... Kraft Foods, Inc. Three Lakes Drive Northfield, IL 60093	Executive Vice President & President E-Commerce (9/6/99 to present); Chief Marketing Officer (5/17/99 to 9/5/99); Senior Vice President Marketing Services (1/1/95 to 5/16/99); Executive Vice President & General Manager D&E (11/14/94 to 12/31/94).

2. Directors and Executive Officers of Philip Morris Companies Inc.

The name, business address, present principal occupation or employment of each of the directors and executive officers of Philip Morris Companies Inc. are set forth below. All directors and executive officers listed below are citizens of the United States. All executive officers listed below have been employed by Philip Morris Companies Inc. in various capacities during the past five years. The business address of each of the individuals listed below is Philip Morris Companies Inc., 120 Park Avenue, New York, NY 10017.

Name, Age and Business Address -----	Present Principal Occupation or Employment -----
Geoffrey C. Bible.....	Chairman of the Board and Chief Executive Officer; Director--Philip Morris International Inc. (1994 to present); Director of The News Corporation Limited, the New York Stock Exchange, Inc., Lincoln Center for the Performing Arts, Inc., and the International Tennis Hall of Fame; Chairman of the Executive, Finance, Affirmative Action and Diversity, Corporate Contributions and Management Committees.
Elizabeth E. Bailey....	Director--Philip Morris International Inc. (1989 to present); John C. Howar Professor of Public Policy & Management, The Wharton School of the University of Pennsylvania, Philadelphia, PA; Director of the College Retirement Equities Fund, CSX Corporation, Honeywell Inc.; Trustee of The Brookings Institution, the National Bureau of Economic Research and Bancroft NeuroHealth; Member of the Audit, Executive, Nominating and Corporate Governance, and Public Affairs and Social Responsibility Committees.
Harold Brown.....	Director--Philip Morris International Inc. (1983 to present); Counselor, Center for Strategic and International Studies, Washington, DC; Partner, Warburg Pincus & Co.; Chairman of the Foreign Policy Institute of the School of Advanced International Studies, the Johns Hopkins University; Director of Cummins Engine Company, Inc., Evergreen Holdings, Inc., and Mattel, Inc.; Chairman of the Nominating and Corporate Governance Committee; Member of the Compensation, Corporate Employee Plans Investment, Finance, and Public Affairs and Social Responsibility Committees.
William H. Donaldson....	Director--Philip Morris International Inc. (1979 to present); Co-founder and Senior Advisor, Donaldson, Lufkin & Jenrette, New York, NY, investment banking firm; Director of Aetna Inc., Bright Horizons Family Solutions Inc., Mail.com Inc., NEC Corporation (International Advisory Board), Council for Excellence in Government, Lincoln Center for the Performing Arts, Inc., Foreign Policy Association; Trustee for the Marine Corps University Foundation, Carnegie Endowment for International Peace, and the New York City Police Foundation; Chairman of the Yale School of Management Advisory Board; Chairman of the Corporate Employee Plans Investment Committee; Member of the Audit, Executive, Finance, and Nominating and Corporate Governance Committees.
Jane Evans.....	Director--Philip Morris International Inc. (1981 to present); President and Chief Executive Officer, SmartTV, Burbank, CA, portable interactivity and electronic commerce; Director of Georgia-Pacific Corporation, Kaufman and Broad Home Corporation, Main St., and Main, and Pets Mart, Inc.; Board of Trustees, Vanderbilt University; Chair of the Committee on Public Affairs and Social Responsibility; Member of the Corporate Employee Plans Investment, Affirmative Action and Diversity and Nominating and Corporate Governance Committees.

Name, Age and Business Address	Present Principal Occupation or Employment
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J. Dudley Fishburn.....	Director--Philip Morris International Inc. (1999 to present); Director of Household International Corporation and Chairman of its British subsidiary, HFC Bank; Treasurer of Britain's largest charity, the National Trust; Associate Editor of The Economist, United Kingdom; Director of Euclidian plc, Cordiant plc, and a fund, backed by the World Bank, that makes investments in Russia; Chairman of the trustees of the Open University in the United Kingdom; Trustee of the Prison Reform Trust, the Liver Research Trust, and the Notting Hall Housing Association; Member of the Finance and Public Affairs and Social Responsibility Committees.
Robert E. R. Huntley....	Director--Philip Morris International Inc. (1976 to present); Chairman of the Audit Committee; Member of the Compensation, Finance, and Public Affairs and Social Responsibility Committee.
Rupert Murdoch.....	Director--Philip Morris International Inc. (1989 to present); Chairman and Chief Executive of the News Corporation Limited, New York, NY, publishing, motion pictures and television; The News Corporation Limited (the interests of which include Fox Entertainment Group, Inc., Twentieth Century Fox Film Corporation and Fox Broadcasting Company in the United States and The Times and Sunday Times in the United Kingdom); A director of Fox Entertainment Group, Inc. and British Sky Broadcasting Group pic.; Member of the Executive Committee.
John D. Nichols.....	Director--Philip Morris International Inc. (1992 to present); Director of Grand Eagle Companies Inc., Household International Corporation, Rockwell International Corporation, and Junior Achievement of Chicago; Trustee of the Chicago Community Trust, the Lyric Opera of Chicago, the Museum of Science and Industry, and the Chicago Symphony Orchestra; Member of the Board of Overseers for Harvard University; Chairman of the Art Institute of Chicago; Member of the Corporate Employee Plans Investment, Finance, Nominating and Corporate Governance, and Public Affairs and Social Responsibility Committees.
Lucio A. Noto.....	Director--Philip Morris International Inc. (1998 to present); Chairman and Chief Executive Officer of Mobil Corporation, Fairfax, VA.; Member of the Audit and Finance Committees.
Richard D. Parsons.....	Director--Philip Morris International Inc. (1990 to present); President, Time Warner, Inc., New York, NY, media and entertainment.
John S. Reed.....	Director--Philip Morris International Inc. (1975 to present); Chairman and CO-CEO Citigroup Inc., New York, NY; Mr. Reed is a Co-Chairman of Citigroup Inc., which controls Solomon Smith Barney, the investment bank that represented the Company in the auction process leading to this transaction. Citigroup may have certain accounts which contain Shares, however, Mr. Reed disclaims beneficial ownership of such Shares.

Name, Age and Business Address	Present Principal Occupation or Employment
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Carlos Slim Helu.....	Director--Philip Morris International Inc. (1997 to present); Chairman Emeritus of Grupo Carso, S.A. de C.V.; Chairman of the Board Telefonos de Mexico, S.A. de C.V., Mexico; Member of the Corporate Employment Plans Investment and Finance Committees.
Stephen M. Wolf.....	Director--Philip Morris International Inc. (1993 to present); Chairman of US Airways Group, Inc., and US Airways, Inc., Arlington, VA; Member of the Audit, Compensation, Nominating & Corporate Governance and Public Affairs & Social Responsibility Committees.
Billie Jean King.....	Director--Philip Morris International Inc. (8/25/99 to present); Board of the Elton John AIDS Foundation and the National Aids Fund; Member of the International Tennis Hall of Fame and the National Women's Hall of Fame; Member of the Public Affairs & Social Responsibility Committee.
Murray H. Bring.....	Vice Chairman, External Affairs & General Counsel; Director--Philip Morris International Inc. (1988 to present); Senior Vice President and General Counsel in July 1988, Executive Vice President, External Affairs, and General Counsel in December 1994; A director of the Whitney Museum of American Art, the New York University Law Center Foundation, the William J. Brennan Center for Justice and The New York City Opera; A member of the Committee on Public Affairs and Social Responsibility.
Bruce S. Brown.....	Vice President, Taxes.
Louis C. Camilleri.....	Senior Vice President and Chief Financial Officer.
Nancy J. De Lisi.....	Vice President Finance and Treasurer.
Roger K. Deromedi.....	President and Chief Executive officer of Kraft Foods International, Inc.
Robert A. Eckert.....	President and Chief Executive Officer of Kraft Foods, Inc.
Paul W. Hendry.....	President and Chief Executive Officer of Philip Morris International Inc.
G. Penn Holsenbeck.....	Vice President, Associate General Counsel and Corporate Secretary.
John D. Bowlin.....	Chairman and Chief Executive Officer of Miller Brewing Company.
Steven C. Parrish.....	Senior Vice President, Corporate Affairs.
Timothy A. Sompolski....	Senior Vice President, Human Resources and Administration.
Michael E. Szymanczyk...	President and Chief Executive Officer of Philip Morris Incorporated.
Joseph A. Tiesi.....	Vice President and Controller.
William H. Webb.....	Chief Operating Officer.
Charles R. Wall.....	General Counsel and Senior Vice President (effective 2/1/00).

Manually signed facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of the Company or such shareholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of the addresses set forth below:

The Depositary for the Offer is:

AMERICAN STOCK TRANSFER  
& TRUST COMPANY

By mail:

By Overnight Courier:

By Hand:

40 Wall Street  
46th Floor  
New York, NY 10005

40 Wall Street  
46th Floor  
New York, NY 10005  
Attn: Reorganization  
Department

40 Wall Street  
46th Floor  
New York, NY 10005

By Facsimile Transmission for

For Confirmation by Telephone:

Eligible Institutions and  
Confirmation:

(212) 936-5100

(718) 234-5001

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager, at the addresses and telephone numbers set forth below. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and related materials may be obtained from the Information Agent or the Dealer Manager as set forth below, and will be furnished promptly at Purchaser's expense. Shareholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D. F. King & Co., Inc.

77 Water Street, 20th Floor  
New York, NY 10005

Banks and Brokers call collect: (212) 269-5550

All others call Toll Free: (800) 628-8510

The Dealer Manager for the Offer is:

Credit Suisse First Boston Corporation

Eleven Madison Avenue

New York, NY 10010-3629

Call Toll Free: (800) 646-4543

Letter of Transmittal  
to Tender Shares of Common Stock  
of  
Balance Bar Company  
Pursuant to the Offer to Purchase dated January 28, 2000  
by  
BB Acquisition, Inc.  
a wholly owned indirect subsidiary of  
Kraft Foods, Inc.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

AMERICAN STOCK TRANSFER & TRUST COMPANY

By Mail: 40 Wall Street 46th Floor New York, N.Y. 10005	By Overnight Courier: 40 Wall Street 46th Floor New York, N.Y. 10005 Attn: Reorganization Department	By Hand: 40 Wall Street 46th Floor New York, N.Y. 10005
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By Facsimile Transmission for Eligible Institutions and Confirmation: (718) 234-5001	For Confirmation by Telephone: (212) 936-5100
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DESCRIPTION OF SHARES TENDERED

-----  
 Share Certificate(s) and Share(s) Tendered  
 (Please attach additional signed list, if necessary)  
 -----

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Share Certificate Number(s) (1)	Total Number of Shares Represented by Certificate(s)	Number of Shares Tendered(2)
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

-----  
 Total Shares Tendered  
 -----

- (1) Need not be completed by shareholders who deliver Shares by book-entry transfer ("Book-Entry Shareholders").
- (2) Unless otherwise indicated, all Shares represented by certificates delivered to the Depositary will be deemed to have been tendered. See Instruction 4.
- CHECK HERE IF CERTIFICATES HAVE BEEN LOST OR MUTILATED. SEE INSTRUCTION 11.

The names and addresses of the registered holders of the tendered Shares should be printed, if not already printed above, exactly as they appear on the Share Certificates tendered hereby.

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE PROVIDED THEREFOR BELOW, WITH SIGNATURE GUARANTEE IF REQUIRED, AND COMPLETE THE SUBSTITUTE FORM W-9 SET FORTH BELOW.

THE INSTRUCTIONS CONTAINED WITHIN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used by shareholders of Balance Bar Company, (the "Company") if certificates for Shares (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in Section 3 of the Offer to Purchase) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at the Book-Entry Transfer Facility (as defined in Section 2 of the Offer of Purchase and pursuant to the procedures set forth in Section 3 thereof).

Holders of Shares whose certificates for such Shares (the "Share Certificates") are not immediately available, or who cannot complete the procedure for book-entry transfer on a timely basis, or who cannot deliver all other required documents to the Depositary prior to the Expiration Date (as defined of the Offer to Purchase), must tender their Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

TENDER OF SHARES

CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: \_\_\_\_\_

Account Number: \_\_\_\_\_

-----  
Transaction Code Number: \_\_\_\_\_

CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): \_\_\_\_\_

Window Ticket Number (if any): \_\_\_\_\_

Date of Execution of Notice of Guaranteed Delivery: \_\_\_\_\_

Name of Eligible Institution that Guaranteed Delivery: \_\_\_\_\_

NOTE: SIGNATURES MUST BE PROVIDED BELOW

PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF  
TRANSMITTAL CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to BB Acquisition, Inc., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Kraft"), the above-described shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company"), pursuant to Purchaser's offer to purchase all outstanding Shares, at a purchase price of \$19.40 per Share, net to the seller in cash (the "Offer Price"), without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 28, 2000, and in this Letter of Transmittal (which together with any amendments or supplements thereto or hereto, collectively constitute the "Offer"). Receipt of the Offer is hereby acknowledged.

Upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of any such extension or amendment), and effective upon acceptance for payment of the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to or upon the order of Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof on or after the date hereof (collectively, "Distributions")) and irrevocably constitutes and appoints American Stock Transfer & Trust Company (the "Depository") the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and any and all Distributions), or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares (and any and all Distributions) for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned hereby irrevocably appoints William Eichar and Theodore Banks in their respective capacities as officers or directors of Purchaser, and any individual who shall thereafter succeed to any such office of Purchaser, and each of them, and any other designees of Purchaser, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote at any annual or special meeting of the Company's shareholders or any adjournment or postponement thereof or otherwise in such manner as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, to execute any written consent concerning any matter as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, and to otherwise act as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, all of the Shares (and any and all Distributions) tendered hereby and accepted for payment by Purchaser. This appointment will be effective if and when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall, without further action, revoke any prior powers of attorney and proxies granted by the undersigned at any time with respect to such Shares (and any and all Distributions), and no subsequent powers of attorney, proxies, consents or revocations may be given by the undersigned with respect thereto (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for Shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of the Company's shareholders.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that the undersigned owns the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that the tender of the tendered Shares complies with Rule 14e-4 under the Exchange Act, and that, when the same are accepted for payment by the Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions free and clear of all liens, restrictions, charges and encumbrances, and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depository or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depository for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that the valid tender of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms or conditions of any such extension or amendment). Without limiting the foregoing, if the price to be paid in the Offer is amended in accordance with the terms of the Merger Agreement, the price to be paid to the undersigned will be the amended price notwithstanding the fact that a different price is stated in this Letter of Transmittal. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and/or return any certificates evidencing Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and/or return any such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS  
(See Instructions 1, 5, 6 and 7)

-----

To be completed ONLY if the check for the purchase price of Shares accepted for payment of certificates representing Shares not tendered or accepted for payment are to be issued in the name of someone other than the undersigned.

Issue:  Check  Certificate(s)  
to

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_  
-----  
(Include Zip Code)

-----  
(Taxpayer Identification or Social Security Number)

(Also complete Substitute Form W-9 below)

SPECIAL DELIVERY INSTRUCTIONS  
(See Instructions 1, 5, 6 and 7)

-----

To be completed ONLY if the check for the purchase price of Shares accepted for payment and/or certificates representing Shares not tendered or accepted for payment are to be sent to someone other than the undersigned or to the undersigned at an address other than that shown under "Description of Shares Tendered."

Mail:  Check  Certificate(s)  
to

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_

-----  
(Include Zip Code)

IMPORTANT  
SHAREHOLDER: SIGN HERE  
(Complete Substitute Form W-9 Included)

\_\_\_\_\_  
\_\_\_\_\_  
(Signature(s) of Owner(s))

Name(s) \_\_\_\_\_

Capacity (Full Title) \_\_\_\_\_  
(See Instructions)

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Include Zip Code)

Area Code and Telephone Number \_\_\_\_\_

Taxpayer Identification or Social Security Number \_\_\_\_\_  
(See Substitute Form W-9)

Dated: \_\_\_\_\_, 2000

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by the person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5).

GUARANTEE OF SIGNATURE(S)  
(If required--See Instructions 1 and 5)

FOR USE BY FINANCIAL INSTITUTIONS ONLY. PLACE MEDALLION GUARANTEE IN SPACE BELOW.

Authorized Signature(s) \_\_\_\_\_

Name \_\_\_\_\_

Name of Firm \_\_\_\_\_

Address \_\_\_\_\_  
(Include Zip Code)

Area Code and Telephone Number \_\_\_\_\_

Dated: \_\_\_\_\_, 2000

## INSTRUCTIONS

### FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee is required on this Letter of Transmittal (a) if this Letter or Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in the Book-Entry Transfer Facility's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith, unless such registered holder(s) has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program or by any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. Requirements of Tender. This Letter of Transmittal is to be completed by shareholders if certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Share Certificates evidencing tendered Shares, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of Shares into the Depository's account at the Book-Entry Transfer Facility, as well as this Letter of Transmittal (or a facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth herein prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). Shareholders whose Share Certificates are not immediately available, or who cannot complete the procedure for delivery by book-entry transfer on a timely basis or who cannot deliver all other required documents to the Depository prior to the Expiration Date, may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by the Purchaser, must be received by the Depository prior to the Expiration Date; and (iii) the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depository within three Nasdaq National Market trading days after the date of execution of such Notice of the Guaranteed Delivery. If Share Certificates are forwarded separately to the Depository, a properly completed and duly executed Letter of Transmittal must accompany each such delivery.

The method of delivery of this Letter of Transmittal, Share Certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and the risk of the tendering shareholder and the delivery will be deemed made only when actually received by the Depository (including, in the case of book-entry transfer, by book-entry confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or a facsimile hereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. Inadequate Space. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares and any other required information should be listed on a separate signed schedule attached hereto.

4. Partial Tenders (not applicable to shareholders who tender by book-entry transfer). If fewer than all the Shares evidenced by any Share Certificate are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In this case, new Share Certificates for the Shares that were evidenced by your old Share Certificates, but were not tendered by you, will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by Share Certificates delivered to the Depository will be deemed to have been tendered unless indicated.

5. Signatures on Letter of Transmittal; Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any of the tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of the authority of such person so to act must be submitted. If this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment to be made or certificates for Shares not tendered or not accepted for payment are to be issued in the name of a person other than the registered holder(s). Signatures on any such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the certificate(s) listed and transmitted hereby, the certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificate(s). Signature(s) on any such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the transfer and sale of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if certificate(s) for Shares not tendered or not accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered certificate(s) are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such other person) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificate(s) evidencing the Shares tendered hereby.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or certificates for Shares not tendered or not accepted for payment are to be issued or returned to, a person other than the signer of this Letter of Transmittal or if a check and/or such certificates are to be returned to a person other than the person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal must be completed.

8. Substitute Form W-9. A tendering shareholder is required to provide the Depository with a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify whether the shareholder is subject to backup withholding of Federal income tax. If a tendering shareholder is subject to backup withholding, the shareholder must cross out item (2) of the Certification Box of the Substitute Form W-9. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to Federal income tax withholding of 31% of any payments made to the shareholder, but such withholdings will be refunded if the tendering shareholder provides a TIN within 60 days.

Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. Noncorporate foreign shareholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depository, in order to avoid backup withholding. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

9. Requests for Assistance of Additional Copies. Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent or Dealer Manager at the addresses and phone numbers set forth below, or from brokers, dealers, commercial banks or trust companies.

10. Waiver of Conditions. Subject to the terms and conditions of the Merger Agreement (as defined in the Offer to Purchase), Purchaser reserves the right, in its sole discretion, to waive, at any time or from time to time, any of the specified conditions of the Offer, in whole or in part, in the case of any Shares tendered.

11. Lost, Destroyed or Stolen Certificates. If any certificate representing Shares has been lost, destroyed or stolen, the shareholder should promptly notify American Stock Transfer & Trust Company, in its capacity as transfer agent for the shares, via facsimile at (212) 936-5100. The shareholder will then be instructed as to the steps that must be taken in order to replace the certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A MANUALLY SIGNED FACSIMILE HEREOF) TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE, AND ANY OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING SHAREHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

#### IMPORTANT TAX INFORMATION

Under the federal income tax law, a shareholder whose tendered Shares are accepted for payment is required to provide the Depository with such shareholder's correct TIN on the Substitute Form W-9 below. If such shareholder is an individual, the TIN is such shareholder's Social Security Number. If a tendering shareholder is subject to backup withholding, such shareholder must cross out item (2) of the Certification box on the Substitute Form W-9. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder may be subject to backup withholding of 31%.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting

to that individual's exempt status. Such statements may be obtained from the Depository. Exempt shareholders, other than foreign individuals, should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9 below and sign, date and return the Substitute Form W-9 to the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depository is required to withhold 31% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

#### Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares and Rights purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN).

#### What Number to Give the Depository

The shareholder is required to give the Depository the Social Security Number or Employer Identification Number of the record holder of the Shares. If the Shares are in more than one name, or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and dated the Substitute Form W-9. If "Applied For" is written in Part I, the Depository will withhold 31% of payments made for the shareholder, but such withholdings will be refunded in the tendering shareholder provides a TIN within 60 days.

PAYOR'S NAME: AMERICAN STOCK TRANSFER & TRUST COMPANY

Name \_\_\_\_\_  
SUBSTITUTE Address \_\_\_\_\_  
Form W-9 \_\_\_\_\_  
(Number and Street)  
Department of the Treasury  
Internal Revenue Service  
(Zip Code) (City) (State)

Part 1(a)--PLEASE  
PROVIDE YOUR TIN IN THE  
BOX AT RIGHT AND  
CERTIFY BY SIGNING AND  
DATING BELOW

Payor's Request for TIN \_\_\_\_\_  
Taxpayer \_\_\_\_\_  
Identification (Social Security Number or  
Number ("TIN") Employer Identification  
and Certification Number)

Part 1(b)--PLEASE CHECK THE BOX AT RIGHT IF YOU HAVE  
APPLIED FOR, AND ARE AWAITING RECEIPT OF YOUR TIN  
Sign Here (right arrow)

Part 2--FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING PLEASE  
WRITE "EXEMPT" HERE (SEE INSTRUCTIONS)

Part 3--CERTIFICATION UNDER PENALTIES OF PERJURY, I  
CERTIFY THAT (X) The number shown on this form is my  
correct TIN (or I am waiting for a number to be issued  
to me), and (Y) I am not subject to backup withholding  
because: (a) I am exempt from backup withholding, or (b)  
I have not been notified by the Internal Revenue Service  
(the "IRS") that I am subject to backup withholding as a  
result of a failure to report all interest or dividends,  
or (c) the IRS has notified me that I am no longer  
subject to backup withholding.

SIGNATURE \_\_\_\_\_

DATE \_\_\_\_\_

Certification of Instructions--You must cross out Item (Y) of Part 3 above  
if you have been notified by the IRS that you are currently subject to backup  
withholding because of underreporting interest or dividends on your tax return.  
However, if after being notified by the IRS that you were subject to backup  
withholding you received another notification from the IRS that you are no  
longer subject to backup withholding, do not cross out such Item (Y).

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART  
1(b) OF THE SUBSTITUTE FORM W-9 INDICATING YOU HAVE APPLIED FOR, AND ARE  
AWAITING RECEIPT OF, YOUR TIN.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number  
has not been issued to me, and that (1) I mailed or delivered an  
application to receive a taxpayer identification number to the appropriate  
Internal Revenue Service Center or Social Security Administration Office or  
(2) I intend to mail or deliver an application in the near future. I  
understand that, if I do not provide a taxpayer identification number to  
the Payor by the time of payment, 31 percent of all reportable payments  
made to me pursuant to this Offer will be withheld.

-----  
Signature

Date

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

MANUALLY SIGNED FACSIMILE COPIES OF THE LETTER OF TRANSMITTAL WILL BE ACCEPTED. THE LETTER OF TRANSMITTAL, CERTIFICATES FOR SHARES AND ANY OTHER REQUIRED DOCUMENTS SHOULD BE SENT OR DELIVERED BY EACH SHAREHOLDER OF THE COMPANY OR SUCH SHAREHOLDER'S BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO THE DEPOSITARY AT ONE OF ITS ADDRESSES SET FORTH ON THE FIRST PAGE.

Questions and requests for assistance or for additional copies of the Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other tender offer materials may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below, and will be furnished promptly at Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. King & Co, Inc.

77 Water Street  
New York, NY 10005  
Banks and Brokers Call Collect: (212) 269-5550  
ALL OTHERS CALL TOLL FREE: (800) 628-8510

The Dealer Manager for the Offer is:

Credit Suisse First Boston Corporation  
Eleven Madison Avenue  
New York, New York 10010-3629  
Call Toll Free: (800) 646-4543

Notice of Guaranteed Delivery  
for  
Tender of Shares of Common Stock  
of  
Balance Bar Company  
to  
BB Acquisition, Inc.  
a wholly owned subsidiary of  
Kraft Foods, Inc.  
(Not to be used for signature guarantees)

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

This Notice of Guaranteed Delivery, or a form substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates for Shares (as defined below) are not immediately available, if the procedure for book-entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach American Stock Transfer & Trust Company (the "Depository") on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). This form may be delivered by hand, transmitted by facsimile transmission or mailed (to the Depository). See Section 3 of the Offer to Purchase.

The Depository for the Offer is:

AMERICAN STOCK TRANSFER & TRUST COMPANY

By mail:  
40 Wall Street  
46th Floor  
New York, NY 10005

By Overnight Courier:  
40 Wall Street  
46th Floor  
New York, NY 10005  
Attn: Reorganization  
Department

By Hand:  
40 Wall Street  
46th Floor  
New York, NY 10005

By Facsimile  
Transmission for  
Eligible Institutions  
and  
Confirmation:  
(718) 234-5001

For Confirmation by  
Telephone:  
(212) 936-5100

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN ONE SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE NUMBER OTHER THAN THE FACSIMILE NUMBER SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

THIS NOTICE OF GUARANTEED DELIVERY TO THE DEPOSITARY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" (AS DEFINED IN THE OFFER TO PURCHASE) UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEES MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the Letter of Transmittal or an Agent's Message (as defined in the Offer to Purchase) and certificates for Shares to the Depository within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED.

Ladies and Gentlemen:

The undersigned hereby tenders to BB Acquisition, Inc., a Delaware corporation and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 28, 2000 (the "Offer to Purchase") and the related Letter to Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"), receipt of which is hereby acknowledged, the number of shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company"), set forth below, pursuant to the guaranteed delivery procedures set forth in the Offer to Purchase.

Number of Shares Tendered: \_\_\_\_\_  
Certificate No(s) (if available): \_\_\_\_\_

SIGN HERE  
Name(s) of Record Holder(s)

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 Check if securities will be  
tendered by book-entry transfer

-----  
(Please Print)

Address(es):

Name of Tendering Institution:

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Account No.: \_\_\_\_\_

(Zip Code)

Dated: \_\_\_\_\_, 2000

Area Code and Telephone No(s):

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Signature(s):

-----

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GUARANTEE

(Not to be used for signature guarantees)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program, (a) represents that the above named person(s) "own(s)" the Shares tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (b) represents that such tender of Shares complies with Rule 14e-4 and (c) guarantees to deliver to the Depository either the certificates evidencing all tendered Shares, in proper form for transfer, or to deliver Shares pursuant to the procedure for book-entry transfer into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility"), in either case together with the Letter of Transmittal (or a facsimile thereof) properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three Nasdaq National Market trading days after the date hereof.

Name of Firm: \_\_\_\_\_ -----

(Authorized Signature)

Address: \_\_\_\_\_

Title: \_\_\_\_\_

-----  
Zip Code

Name: \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

(Please type or print)

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES FOR SHARES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

Dated: \_\_\_\_\_, 2000

Offer to Purchase for Cash  
All Outstanding Shares of Common Stock  
of  
Balance Bar Company  
by  
BB Acquisition, Inc.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

January 28, 2000

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

We have been appointed by BB Acquisition, Inc., a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Kraft") to act as Dealer Manager in connection with the Purchaser's offer to purchase all outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company") at a purchase price of \$19.40 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 28, 2000 (the "Offer to Purchase") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer") enclosed herewith.

Holders of Shares whose certificates for such Shares (the "Share Certificates") are not immediately available, who cannot complete the procedures for book-entry transfer on a timely basis, or who cannot deliver all other required documents to American Stock Transfer & Trust Company (the "Depository") prior to the Expiration Date (as defined in the Offer to Purchase) must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

The Offer is conditioned upon, among other things, (i) there being validly tendered in accordance with the terms of the Offer and not withdrawn prior to the Expiration Date of the Offer a number of Shares which, together with the Shares owned by Kraft or Purchaser represents more than 50% of the outstanding Shares and (ii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Offer is also subject to the satisfaction of certain other conditions. See Section 17--"Certain Conditions of the Offer" of the Offer to Purchase.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

1. Offer to Purchase dated January 28, 2000

2. Letter of Transmittal for your use in accepting the Offer and tendering Shares and for the information of your clients (manually signed facsimile copies of the Letter of Transmittal may be used to tender Shares);

[LOGO OF CREDIT SUISSE/FIRST BOSTON APPEARS HERE]

3. Notice of Guaranteed Delivery to be used to accept the Offer if Share Certificates are not immediately available or if such certificates and all other required documents cannot be delivered to the Depositary, or if the procedures for book-entry transfer cannot be complete on a timely basis;

4. A printed form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. The Letter to shareholders of the Company from James A. Wolfe, the President and Chief Executive Officer of the Company, accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company, which includes the recommendation of the Board of Directors of the Company (the "Board of Directors") that shareholders accept the Offer and tender their Shares to Purchaser pursuant to the Offer;

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. A return envelope addressed to the Depositary.

The Board of Directors has unanimously approved the Merger Agreement (as defined below), the Offer and the Merger (as defined below) and determined that the Offer and the Merger are fair to, and in the best interests of the Company and its shareholders. The Board of Directors recommends that the Company's shareholders tender their shares pursuant to the Offer and approve and adopt the Merger Agreement.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 21, 2000 (the "Merger Agreement"), among Kraft, Purchaser and the Company. The Merger Agreement provides for, among other things, the making of the Offer by Purchaser, and further provides that Purchaser will be merged with and into the Company (the "Merger") as soon as practicable following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement. Following the Merger, the Company will continue as the surviving corporation, wholly owned by Kraft, and the separate corporate existence of Purchaser will cease.

In order to take advantage of the Offer, (i) a duly executed and properly completed Letter of Transmittal and any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry delivery of Shares, and other required documents should be sent to the Depositary and (ii) Share Certificates representing the tendered Shares should be delivered to the Depositary, or such Shares should be tendered by book-entry transfer into the Depositary's account maintained at the Book-Entry Transfer Facility (as described in the Offer to Purchase), all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their Share Certificates or other required documents prior to the Expiration Date or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Depositary, the Information Agent and the Dealer Manager as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary mailing and handling costs incurred by you in forwarding the enclosed materials to your customers.

Purchaser will pay or cause to be paid all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the undersigned at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

CREDIT SUISSE FIRST BOSTON CORPORATION

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF KRAFT, PURCHASER, THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT, THE DEPOSITARY, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.

Offer to Purchase for Cash  
All Outstanding Shares of Common Stock  
of  
Balance Bar Company  
by  
BB Acquisition Corp.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is the Offer to Purchase dated January 28, 2000 (the "Offer to Purchase") and a related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer") in connection with the offer by BB Acquisition Inc., a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Parent"), to purchase all outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company") at a purchase price of \$19.40 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the Letter of Transmittal enclosed herewith.

We are the holder of record of Shares for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The enclosed Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase. Your attention is invited to the following:

1. The offer price is \$19.40 per Share, net to you in cash, without interest.

2. The Offer is being made for all outstanding Shares.

3. The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 20, 2000 (the "Merger Agreement"), among Parent, Purchaser and the Company. The Merger Agreement provides, among other things, that Purchaser will be merged with and into the Company (the "Merger") following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement.

4. The Board of Directors of the Company has unanimously approved the Merger Agreement, the Offer and the Merger and determined that the Offer and the Merger are fair to, and in the best interests of, the Company and its shareholders. The Board of Directors of the Company recommends that you tender your Shares pursuant to the Offer and approve and adopt the Merger Agreement.

5. The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Friday, February 25, 2000 (the "Expiration Date") unless the Offer is extended.

6. Any stock transfer taxes applicable to the sale of Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

The Offer is conditioned upon, among other things, (i) there being a validly tendered in accordance with the terms of the Offer and not withdrawn prior to the Expiration Date of the Offer a number of Shares which, together with the Shares owned by Kraft or Purchaser, represents more than 50% of the outstanding Shares and (ii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Offer is also subject to the satisfaction of certain other terms and conditions. See Section 17--"Certain Conditions to the Offer" in the Offer to Purchase.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Shares. Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Purchaser shall make a good faith effort to comply with such state statute or seek to have the such statute declared inapplicable to the Offer. If, after such good faith effort, the Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) holders of Shares in such state. In those jurisdictions where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by Credit Suisse First Boston Corporation in its capacity as Dealer Manager for the Offer or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form set forth on the reverse side of this letter. An envelope to return your instructions to us is also enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the reverse side of this letter. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

Instructions with Respect to the  
Offer to Purchase for Cash  
All Outstanding Shares of Common Stock  
of  
Balance Bar Company  
by  
BB Acquisition Corp.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated January 28, 2000 and the related Letter of Transmittal of BB Acquisition, Inc., a Delaware corporation and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation, to purchase all outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company at a purchase price of \$19.40 per Share, net to the seller in cash, without interest thereon upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

This will instruct you to tender to the Purchaser the number of Shares indicated below (or, if no number is indicated below, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

Number of Shares to Be Tendered:\* \_\_\_\_\_

Account No.: \_\_\_\_\_  
Dated: \_\_\_\_\_, 2000

SIGN HERE

\_\_\_\_\_  
\_\_\_\_\_  
Signature(s)  
\_\_\_\_\_  
\_\_\_\_\_  
Print Name(s) and Address(es)  
\_\_\_\_\_  
\_\_\_\_\_  
Area Code and Telephone Number(s)  
\_\_\_\_\_  
Taxpayer Identification or Social  
Security Number(s)

\*Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER FOR THE PAYEE (YOU) TO GIVE THE PAYER. Social security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

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For this type of account:	Give the SOCIAL SECURITY number of --
---------------------------	---------------------------------------

-----

- |   |  |
|---|--|
| 1. Individual   | The individual   |
| 2. Two or more individuals (joint account)                                    | The actual owner of the account or, if combined funds, the first individual on the account (1) |
| 3. Custodian account of a minor (Uniform Gift to Minors Act)                  | The minor (2)  |
| 4.a. The usual revocable savings trust account (grantor is also trustee)      | The grantor-trustee (1)  |
| b. So-called trust account that is not a legal or valid trust under state law | The actual owner (1)   |
| 5. Sole proprietorship  | The owner (3)  |

For this type of account:	Give the EMPLOYER IDENTIFICATION number of --
---------------------------	---

- |   |                       |
|---|-----------------------|
| 6. Sole proprietorship  | The owner (3)         |
| 7. A valid trust, estate, or pension trust  | The legal entity (4)  |
| 8. Corporate  | The corporation       |
| 9. Association, club, religious, charitable, educational, or other tax-exempt organization account  | The organization      |
| 10. Partnership   | The partnership       |
| 11. A broker or registered nominee  | The broker or nominee |
| 12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments | The public entity     |

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(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security

number or your employer identification number (if you have one).

- (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER OF SUBSTITUTE FORM W-9

Page 2

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Security Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempt from withholding include:

- . An organization exempt from tax under Section 501(a), an individual retirement account (IRA) or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- . The United States, or a political subdivision or wholly-owned agency or instrumentality of any one or more of the foregoing.
- . An international organization or any agency or instrumentality thereof.
- . A foreign government and any political subdivision, agency or instrumentality thereof.

Payees that may be exempt from backup withholding include:

- . A corporation.
- . A financial institution.
- . A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- . A real estate investment trust.
- . A common trust fund operated by a bank under Section 584(a).
- . An entity registered at all times during the tax year under the Investment Company Act of 1940.
- . A middleman known in the investment community as a nominee or who is listed in the most recent publication of the American Society of Corporate Secretaries, Inc. Nominee List.
- . A futures commission merchant registered with the Commodity Futures Trading Commission.
- . A foreign central bank of issue.

Payments of dividends and patronage dividends generally exempt from backup withholding include:

- . Payments to nonresident aliens subject to withholding under Section 1441.
- . Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner. Payments of patronage dividends not paid in money. Payments made by certain foreign organizations. Section 404(k) payments made by an ESOP.

Payments of interest generally exempt from backup withholding include:

- . Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and you have not provided your correct taxpayer identification number to the payer.
- . Payments of tax-exempt interest (including exempt interest dividends under Section 852).
- . Payments described in Section 6049(b)(5) to nonresident aliens.
- . Payments on tax-free covenant bonds under Section 1451.
- . Payments made by certain foreign organizations.
- . Mortgage interest paid to you.
- . Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under Sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART 3 OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE OF INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

PRIVACY ACT NOTICE--Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to the payee who does not furnish a taxpayer identification number to payer. Certain penalties may also apply.

PENALTIES

(1) FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX  
CONSULTANT OR THE INTERNAL REVENUE SERVICE.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated January 28, 2000 and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. However, the Purchaser (as defined below) may, in its discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to holders of Shares in such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Credit Suisse First Boston Corporation ("Credit Suisse First Boston" or the "Dealer Manager") or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash  
All of the Outstanding Shares of Common Stock  
of  
Balance Bar Company  
at  
\$19.40 Net Per Share  
by  
BB Acquisition, Inc.  
a wholly owned subsidiary of  
Kraft Foods, Inc.

BB Acquisition, Inc., a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of Kraft Foods, Inc., a Delaware corporation ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Balance Bar Company, a Delaware corporation (the "Company"), at a price of \$19.40 per Share, net to the seller in cash (less any required withholding taxes), without interest thereon, on the terms and subject to the conditions set forth in the Offer to Purchase, dated January 28, 2000 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). Tendering shareholders who have Shares registered in their names and who tender directly to American Stock Transfer & Trust Company (the "Depository") will not be charged brokerage fees or commissions or, subject to Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares pursuant to the Offer. Shareholders who hold their Shares through a broker or bank should consult such institution as to whether it charges any service fees. Purchaser will pay all charges and expenses of the Dealer Manager, the Depository, and the D.F. King & Co., Inc., which is acting as the information agent (the "Information Agent"), incurred in connection with the Offer. Following the consummation of the Offer, the Purchaser intends to effect the Merger described below.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FEBRUARY 25, 2000, UNLESS THE OFFER IS EXTENDED.

The Offer is conditioned upon, among other things, the satisfaction or waiver of certain conditions, including (1) there being validly tendered in accordance with the terms of the Offer and not withdrawn prior to the expiration date of the Offer a number of Shares which, together with the Shares then owned by Parent or the Purchaser, represents more than 50% of the Shares outstanding (the "Minimum Condition") and (2) the expiration or termination of any waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Offer is also subject to the satisfaction of certain other conditions. See Section 17 of the Offer to Purchase.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of January 21, 2000 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The purpose of the Offer is for Parent, through the Purchaser, to acquire a majority voting interest in the Company as the first step in a business combination. The

Merger Agreement provides that, among other things, the Purchaser will make the Offer and that as promptly as practicable after the purchase of Shares pursuant to the Offer and the satisfaction or waiver of the other conditions set forth in the Merger Agreement and in accordance with relevant provisions of the General Corporation Law of the State of Delaware (the "DGCL"), the Purchaser will be merged with and into the Company, with the Company continuing as the surviving corporation (the "Merger"). At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares owned beneficially or of record by Parent or any subsidiary of Parent or held in the treasury of the Company, all of which shall be cancelled, and other than Shares which are held by shareholders, if any, who properly exercise their appraisal rights under the DGCL) will be cancelled and converted into the right to receive \$19.40 in cash, or any higher price that is paid in the Offer (less any required withholding taxes), without interest thereon.

Certain shareholders of the Company have entered into Support Agreements pursuant to which such shareholders have agreed, among other things, to tender pursuant to the Offer, and not to withdraw, all of their Shares, which together represent approximately 55% of all outstanding Shares (approximately 51% on a fully diluted basis). The Board of Directors of the Company has unanimously approved the Merger Agreement, the Offer and the Merger and determined that the Offer and the Merger are fair to and in the best interests of the Company and its shareholders. The Board of Directors of the Company recommends that the Company's shareholders tender their Shares pursuant to the Offer and approve and adopt the Merger Agreement.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn as, if and when the Purchaser gives oral or written notice to the Depository of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. In all cases, on the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting such payment to tendering shareholders. Under no circumstances will interest on the purchase price of Shares be paid by the Purchaser because of any delay in making any payment. Payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (i) certificates for such Shares or timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase), pursuant to the procedures set forth in the Offer to Purchase, (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with all required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (iii) any other documents required by the Letter of Transmittal.

If any of the conditions set forth in the Offer to Purchase that relate to the Purchaser's obligations to purchase the Shares are not satisfied by 12:00 Midnight, New York City time, on February 25, 2000 (or any other time then set as the Expiration Date), the Purchaser may, subject to the Merger Agreement as described below, elect to, (i) extend the Offer and, subject to applicable withdrawal rights, retain all tendered Shares until the expiration of the Offer, as extended, (ii) subject to complying with applicable rules and regulations of the Securities and Exchange Commission, accept for payment all Shares so tendered and not extend the Offer, or (iii) terminate the Offer and not accept for payment any Shares and return all tendered Shares to tendering shareholders. The term "Expiration Date" means 12:00 Midnight, New York City time, on February 25, 2000, unless the Purchaser shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser shall expire. The Purchaser does not expect to make a subsequent offering period available following the Expiration Date pursuant to Rule 14d-11 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), although it reserves the right to do so in its sole discretion.

Subject to the terms and conditions set forth in the Offer to Purchase and the Merger Agreement and the applicable rules and regulations of the Securities and Exchange Commission, the Purchaser reserves the right (but will not be obligated), at any time or from time to time in its sole discretion, (i) to extend the period during which the Offer is open or (ii) to amend the Offer in any other respect by giving oral or written notice of such extension or amendment to the Depository and by making a public announcement of such extension or amendment. Except to the extent required by the Merger Agreement, there can be no assurance that the Purchaser will exercise its right to extend or amend the Offer. Any extension of the period during which the Offer is open and will be followed, as promptly as practicable, by public announcement thereof, such announcement to be issued not later than 9:00 a.m., New York City

time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment pursuant to the Offer, also may be withdrawn at any time after Monday, March 27, 2000. Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. For a withdrawal of Shares tendered pursuant to the Offer to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name in which the certificates representing such shares are registered if different from that of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such certificates have been tendered by an Eligible Institution (as defined in the Offer to Purchase), the signature on the

notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account of the Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, and its determination will be final and binding on all parties.

The receipt of cash in exchange for Shares pursuant to the Offer (or the Merger) will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign tax laws. Generally, a shareholder who receives cash in exchange for Shares pursuant to the Offer (or the Merger) will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received and such shareholder's adjusted tax basis in the Shares exchanged therefor. Provided that such Shares constitute capital assets in the hands of the shareholder, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder has held the Shares for more than one year at the time of sale. The maximum U.S. federal income tax rate applicable to individual taxpayers on long-term capital gain is 20%, and the deductibility of capital losses is subject to limitations. All shareholders should consult with their own tax advisors as to the particular tax consequences of the Offer and the Merger to them, including the applicability and effect of the alternative minimum tax and any state, local or foreign income and other tax laws and of changes in such tax laws. For a more complete description of certain U.S. federal income tax consequences of the Offer and the Merger, see Section 5 of the Offer to Purchase.

The information required to be disclosed by Paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided to the Purchaser its list of shareholders and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal and other related materials are being mailed to record holders of Shares and will be mailed to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

Questions and requests for assistance and copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent or the Dealer Manager at their respectable addresses and telephone numbers set forth below, and will be furnished promptly at the Purchaser's expense. The Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager and the Information Agent) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:  
D.F. King & Co., Inc.  
77 Water Street, 20th Floor  
New York, New York 10005

Banks and Brokers Call Collect: (212) 269-5550  
All Others Call Toll Free: (800) 549-6650

The Dealer Manager for the Offer is:  
Credit Suisse  
First Boston

Eleven Madison Avenue  
New York, New York 10010-3629  
Call Toll Free: (800) 646-4543

January 28, 2000

AGREEMENT AND PLAN OF MERGER

AMONG

Balance Bar Company  
(a Delaware Corporation)

Kraft Foods, Inc.,  
(a Delaware corporation)

and its  
wholly owned  
subsidiary

BB Acquisition, Inc.,  
(a Delaware corporation)

January 21, 2000

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AGREEMENT AND PLAN OF MERGER  
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AGREEMENT AND PLAN OF MERGER, dated as of January 21, 2000 among Kraft Foods, Inc., a Delaware corporation ("Purchaser"), BB Acquisition, Inc., a Delaware corporation and a wholly owned subsidiary of Purchaser ("Merger Sub"), and Balance Bar Company, a Delaware corporation (the "Company").

BACKGROUND  
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- A. The Company and Purchaser have each determined that it is in their respective best interests for Purchaser to acquire the Company as set forth in this Agreement.
- B. Purchaser, through Merger Sub, proposes to make a tender offer (as it may be amended or extended from time to time as permitted under this Agreement, the "Offer") to purchase all of the outstanding shares of common stock of the Company (the "Shares") for \$19.40 in cash, net to the stockholder (the "Per Share Amount"), upon the terms and subject to the conditions set forth in this Agreement. The Offer will be followed by merger of the Company and Merger Sub under the Laws of the State of Delaware, as contemplated by this Agreement (the "Merger"), with the Company surviving the Merger, all upon the terms and subject to the conditions of this Agreement and in accordance with the provisions of the Delaware General Corporation Law, as amended (the "DGCL").
- C. The Company's Board has determined that the Transactions (including the Per Share Amount) are fair to the holders of the Shares and has adopted resolutions approving the Offer and recommending that the Company's stockholders accept the Offer and tender their respective Shares pursuant to the Offer.
- D. Contemporaneous with the execution of this Agreement each of Thomas R. Davidson, Richard G. Lamb and James A. Wolfe have executed and delivered to Purchaser and Merger Sub a Support Agreement in the form attached as Exhibit C (the "Support Agreements").
- E. Purchaser has, through appropriate corporate action, approved the Transactions. The Offer, the Merger and the other transactions contemplated by this Agreement are referred to collectively in this Agreement as the "Transactions."

1. Defined Terms  
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The definitions in Exhibit A apply to and are a part of this Agreement.

## 2. The Offer

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### 2.1 The Offer.

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#### 2.1.1 Commencement. Provided that none of the events set forth in Exhibit

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B has occurred and is continuing, and subject to the conditions set forth on Exhibit B:

##### (a) Commence Offer. As promptly as practicable (but not later than five

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business days after the date of this Agreement), Merger Sub will, and Purchaser will cause Merger Sub to, commence, (within the meaning of Rule 14d-2 under the Exchange Act) an Offer to purchase for cash all of the Shares at a net price per share not less than the Per Share Amount, and Purchaser will, subject to the terms and conditions of this Agreement and the Offer, use all reasonable efforts to consummate the Offer.

##### (b) Waiver of Conditions. Notwithstanding clause (a), Purchaser cannot,

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without the Company's consent, extend the Offer beyond April 30, 2000, except that Purchaser can extend the Offer for up to ten business days if, as of such date, there have not been tendered at least ninety percent of the outstanding Shares, and can also extend the Offer following acceptance of Shares for purchase to the extent permitted under Rule 14d-11, if available. In addition, if at any scheduled expiration date any of the conditions of the Offer has not been satisfied or waived by Purchaser, but are capable of being satisfied, Purchaser will from time to time extend the Offer until such conditions are satisfied or waived, provided that Purchaser will not be required to extend the Offer beyond April 30, 2000. Subject to the foregoing restrictions, Purchaser has the right, (but is not obligated), in its sole discretion, to extend the period during which the Offer is open by giving oral or written notices of extension to the depository in such offer and by making a public announcement of such extension.

##### (c) Payment. Subject to the conditions of the Offer, Merger Sub will, and

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Purchaser will cause Merger Sub to, accept for payment and pay for the Shares that are tendered pursuant to the Offer as soon as permitted after the Offer commences.

#### 2.1.2 Waiver of Conditions.

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##### (a) Consent Required. Neither Purchaser nor Merger Sub will, without the

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prior consent of the Company, decrease the Per Share Amount or the number of Shares sought pursuant to the Offer, or otherwise amend or add any term or condition of or to the Offer, except as otherwise expressly permitted in or contemplated by this Agreement. The Company will not unreasonably withhold consent to a change in the

expiration date of the Offer. Purchaser can waive any other condition to the Offer in its discretion.

2.1.3 SEC Filings. Purchaser and Merger Sub will file timely with the SEC

-----

a Tender Offer Statement on Schedule 14D-1 or successor form pursuant to the Exchange Act with respect to the Offer (together with any amendments, supplements and exhibit the "Schedule 14D-1"). It will contain an offer to purchase and a related letter of transmittal. Such Schedule 14D-1 and the documents included therein pursuant to which the Offer will be made, together with any supplements, amendments and exhibits thereto, are the "Offer Documents". Purchaser will assure that the Offer Documents will comply as to form in all material respects with the requirements of the Exchange Act and that they will not contain, on the date filed with the SEC and when first published, sent or given to the Company's stockholders, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Purchaser will, however, have no such obligation with respect to information supplied by or on behalf of the Company expressly for inclusion in the Offer Documents. The Company will assure that none of the information supplied by the Company for inclusion in the Offer Documents will contain, on the date filed with the SEC and when first published, sent or given to the Company's stockholders, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company and Purchaser each agrees to correct promptly any information provided by it for use in the Offer Documents if and to the extent that such information becomes false or misleading in any material respect. Purchaser further agrees to take all steps necessary to amend or supplement the Offer Documents and to cause the Offer Documents as so amended or supplemented to be filed with the SEC and to be disseminated to the Company's stockholders, in each case as and to the extent required by applicable Laws. The Company and its counsel will be given a reasonable opportunity to review and comment upon the Offer Documents and all amendments and supplements thereto before their filing with the SEC or dissemination to stockholders of the Company. Purchaser will inform the Company and its counsel of any comments Purchaser, Merger Sub or their counsel receives from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments, and will give the Company and its counsel an opportunity to participate in the response of Purchaser and/or Merger Sub to such comments.

2.2 Company Actions.

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2.2.1 Approval of Transactions. The Company approves of and consents to

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the Offer and has made representations with respect thereto in Section 4.4.

2.2.2 Company SEC Filings. The Company will timely file with the SEC a  
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statement on Schedule 14D-9 pursuant to the Exchange Act (together with any amendments, supplements and exhibits the "Schedule 14D-9") with respect to the Offer containing the recommendation described in Section 2.2.1 and will mail the Schedule 14D-9 to the stockholders of the Company. The Company will assure that the Schedule 14D-9 will comply as to form in all material respects with the requirements of the Exchange Act and that it will not contain on the date filed with the SEC and when first published, sent or given to the Company's stockholders, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company will, however, have no such obligation with respect to information supplied by or on behalf of Purchaser or Merger Sub expressly for inclusion in the Schedule 14D-9. The Company and Purchaser each agrees to correct promptly any information provided by it for use in the Schedule 14D-9 if and to the extent that such information becomes false or misleading in any material respect. The Company further agrees to take all steps necessary to amend or supplement the Schedule 14D-9 and to cause the Schedule 14D-9 as so amended or supplemented to be filed with the SEC and to be disseminated to the Company's stockholders, in each case as and to the extent required by applicable Laws. Purchaser and its counsel will be given a reasonable opportunity to review and comment upon the Schedule 14D-9 and all amendments and supplements thereto before their filing with the SEC or dissemination to stockholders of the Company. The Company will inform Purchaser and its counsel of any comments the Company or its counsel receives from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments, and will give Purchaser and its counsel an opportunity to participate in the response of the Company to such comments.

2.2.3 Company Information. In connection with the Offer, the Company  
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will, or will cause its transfer agent to, furnish, not more than three days after the date of this Agreement, to Purchaser: (a) a list, as of the most recent practicable date, of the record holders of Shares and their addresses; (b) mailing labels containing the names and addresses of all record holders of Shares; and (c) lists of security positions of Shares held in stock depositories. The Company will furnish Purchaser with such additional or updated information and such other assistance as Purchaser or its agents reasonably request in communicating the Offer to the record and beneficial holders of Shares.

2.2.4 Directors.  
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- (a) Purchaser Designation of Directors. Subject to compliance with  
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applicable law, promptly upon the payment by the Purchaser or Merger Sub for Shares pursuant to the Offer, and from time to time thereafter,

Purchaser will be entitled to designate at least such number of directors, rounded up to the next whole number, on the Company's Board as is equal to the product of the total number of directors on the Company's Board (determined after giving effect to the directors elected pursuant to this sentence) multiplied by the percentage that the aggregate number of Shares beneficially owned by Purchaser or its affiliates bears to the total number of Shares then outstanding, and the Company will, upon request of Purchaser promptly take all actions necessary to cause Purchaser's designees to be so elected, including, if necessary, seeking the resignations of one or more existing directors; provided, however, that before the Effective Time, the

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Board will always have at least two members who are neither officers, directors, stockholders or designees of the Purchaser or any of its affiliates ("Purchaser Insiders"). In the event of any vacancy in one of the directorships to be held by persons who are not Purchaser Insiders (whether due to death, disability, resignation or other reasons), the remaining director who is not a Purchaser Insider will be entitled to fill such vacancy with a person who is not a Purchaser Insider.

(b) Section 14(f) and Rule 14f-1. The Company's obligations to appoint

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Purchaser's designees to the Board will be subject to Section 14(f) of the Exchange Act and Rule 14f-1 thereunder. The Company will promptly take all actions required pursuant to such Section and Rule in order to fulfill its obligations under this Section 2.2.4 and, to the extent reasonably practicable, will include in the Schedule 14D-9 such information with respect to the Company and its officers and directors as is required under such Section and Rule in order to fulfill its obligations under this Section 2.2.4. Purchaser will supply any information with respect to itself and its officers, directors and affiliates required by such Section and Rule to the Company.

(c) Continuing Directors. Following the election or appointment of

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Purchaser's designees pursuant to this Section 2.2.4 and before the Effective Time, any amendment or termination of this Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of the Purchaser or Merger Sub or waiver of any of the Company's rights hereunder, or any other action taken by the Company's Board in connection with this Agreement, will require the concurrence of a majority of the directors of the Company then in office who are not Purchaser Insiders if such amendment, termination, extension, waiver or action would have an adverse effect on the minority stockholders of the Company.

### 3. The Merger

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3.1 The Merger. Merger Sub will be merged with and into the Company as soon as  
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practicable following the satisfaction or waiver of each of the conditions set forth in Section 8. Following the Merger, the Company will continue as the Surviving Corporation, wholly-owned by Purchaser, and the separate corporate existence of Merger Sub will cease.

3.2 Stockholder Meeting. If required by applicable Law to consummate the  
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Merger, the Company, acting through the Company's Board, will take the following steps:

3.2.1 Special Meeting. It will duly call, give notice of, convene and  
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hold the Special Meeting as soon as practicable following the expiration of the Offer to approve and adopt this Agreement. At the Special Meeting, all of the Shares then owned of record or beneficially by Purchaser, Merger Sub or any other subsidiary of Purchaser will be voted in favor of the adoption of this Agreement.

3.2.2 Recommendation. It will include in the Proxy Statement the  
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recommendation of the Company's Board that its stockholders vote in favor of the adoption of this Agreement.

3.2.3 Proxy Statement. It will use its commercially reasonable efforts  
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to: (a) obtain and furnish the information required to be included by it in the Proxy Statement; (b) respond promptly to any comments made by the SEC with respect to the Proxy Statement and any preliminary version of it after consultation with the Purchaser; (c) cause the Proxy Statement to be mailed to the Company's stockholders at the earliest practicable time following the expiration of the Offer; and (d) obtain any necessary adoption of this Agreement by the Company's stockholders. The Company will assure that the Proxy Statement complies as to form in all material respects with the requirements of the Exchange Act and that it does not contain on the date filed with the SEC and when first published, sent or given to the Company's stockholders, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company will, however, have no such obligation with respect to information supplied by or on behalf of Purchaser or Merger Sub expressly for inclusion in the Proxy Statement. The Company and Purchaser each agrees to correct promptly any information provided by it for use in the Proxy Statement if and to the extent that such information becomes false or misleading in any material respect. The Company further agrees to take all steps necessary to amend or supplement the Proxy Statement and to cause the Proxy Statement as so amended or supplemented to be filed with the SEC and to be disseminated to the Company's stockholders, in each case as and

to the extent required by applicable Laws. Purchaser and its counsel will be given a reasonable opportunity to review and comment upon the Proxy Statement and all amendments and supplements thereto before their filing with the SEC or dissemination to stockholders of the Company. The Company will inform Purchaser and its counsel of any comments the Company or its counsel receives from the SEC or its staff with respect to the Proxy Statement promptly after the receipt of such comments, and will give Purchaser and its counsel an opportunity to participate in the response of the Company to such comments.

3.2.4 Short Form Merger. Notwithstanding the foregoing, if Purchaser,

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Merger Sub and/or any other subsidiary of Purchaser acquires at least ninety percent (90%) of the outstanding Shares of the Company, the Company and Purchaser will take all necessary and appropriate action to cause the Merger to become effective, in accordance with Section 253 of the DGCL, as soon as reasonably practicable after such acquisition.

3.3 Consummation of the Merger. As soon as practicable after consummation of

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the Offer, and, if required by applicable Law, after the vote of the requisite number of Shares in favor of the adoption of this Agreement has been obtained, the Company (and/or Purchaser or Merger Sub, if appropriate) will execute and deliver to the Delaware Secretary of State a Merger Certificate.

3.3.1 Effects of the Merger. The Merger will have the effects set forth

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in the DGCL. As of the Effective Time, the Company will become a wholly owned subsidiary of Purchaser.

3.3.2 Certificate of Incorporation and Bylaws. As of the Effective Time,

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the Certificate of Incorporation and Bylaws of Merger Sub will become the Certificate of Incorporation and Bylaws of the Surviving Corporation.

3.3.3 Directors and Officers. The Board of Directors of Merger Sub at the

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Effective Time will become the Board of Directors of the Surviving Corporation, and the officers of Merger Sub at the Effective Time will continue as the officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed.

3.3.4 Conversion of Shares. Each Share outstanding immediately before the

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Effective Time (other than Shares owned beneficially or of record by Purchaser or any subsidiary of Purchaser or held in the treasury of the Company, all of which will be cancelled, and Shares owned by any Dissenting Stockholder) will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive the Per Share Amount.

3.3.5 Equity Derivatives. Equity Derivatives that have not been

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cancelled as of the Effective Time, whether or not then exercisable or vested, will be cancelled, redeemed or repurchased by the Company, and each holder of any such Equity Derivative will be entitled to receive, and will receive, in settlement thereof a cash payment from the Company in an amount, if any (subject to any applicable withholding Tax), equal to (a) the Per Share Amount minus (b) the exercise or purchase price per Share specified in the Equity Derivative multiplied by the number of shares of Company common stock covered by such Equity Derivative.

3.3.6 Conversion of Merger Sub Common Stock. All of the shares of common

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stock of Merger Sub issued and outstanding immediately before the Effective Time will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one newly issued share of common stock of the Surviving Corporation.

3.4 Dissenting Shares. Notwithstanding anything in this Agreement to the

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contrary, Shares that are issued and outstanding immediately before the Effective Time and that are held by stockholders who have (a) not voted such Shares in favor of the Merger (or consented thereto in writing), (b) delivered a written objection to the Merger and a demand for appraisal of such Shares in accordance with Section 262 of the DGCL (insofar as such Section is applicable to the Merger and provides for appraisal rights with respect to it) and (c) not failed to perfect or have not effectively withdrawn or lost their rights to appraisal and payment under the DGCL (the "Dissenting Shares"), will not be converted into the right to receive the Per Share Amount as provided in Section 3.3.4. Instead, ownership of such Shares will entitle the holder thereof to receive the consideration determined pursuant to Section 262 of the DGCL; provided, however, that if such holder fails to perfect or effectively withdraws such holder's right to appraisal and payment under the DGCL, each of such Shares will thereupon be deemed to have been converted, at the Effective Time, into the right to receive the Per Share Amount, without any interest thereon, upon surrender of the Certificate or Certificates in the manner provided in Section 3.5.2. The Company will give Purchaser (d) prompt notice (and in any event within 24 hours) of any demands (or withdrawals of demands) for appraisal received by the Company pursuant to the applicable provisions of the DGCL and any other instruments served pursuant to the DGCL and received by the Company and (e) the opportunity to participate in all negotiations and proceedings with respect to demands for appraisal under the DGCL. The Company will not, except with the prior consent of Purchaser (which consent will not be unreasonably withheld), make any payment with respect to any such demands for appraisal or offer to settle, or settle, any such demands.

3.5 Payment for Shares.

3.5.1 Paying Agent. Before the Effective Time, Purchaser will designate a

United States bank or trust company to act as Paying Agent in the Merger (the "Paying Agent"). At or before the Effective Time, Purchaser will deposit, or cause Merger Sub to deposit, in trust with the Paying Agent immediately available funds (the "Funds") in an amount necessary to make the payments for Shares and Equity Derivatives required by this Agreement on a timely basis.

3.5.2 Surrender of Certificates. Promptly after the Effective Time,

Purchaser and the Surviving Corporation will cause the Paying Agent to mail and/or make available to each record holder, as of the Effective Time, (other than Purchaser or Merger Sub) of a certificate or certificates that immediately before the Effective Time represented Shares (the "Certificates"), a notice and letter of transmittal and instructions in standard form for use in effecting the surrender of the Certificates in exchange for the Merger Consideration.

3.5.3 Payment of Merger Consideration. Upon surrender to the Paying Agent

of a Certificate, together with such letter of transmittal duly executed and completed, the holder of such Certificate will receive the Merger Consideration attributable to the number of Shares represented by such Certificate, and such Certificate will be cancelled. Until surrendered in accordance with the provisions of this Section 3.5, each Certificate (other than Certificates representing Shares owned by Dissenting Stockholders) will represent for all purposes only the right to receive the Merger Consideration.

3.5.4 No Transfers. After the Effective Time, there will be no transfers

of Shares on the stock transfer books of the Surviving Corporation. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they will be cancelled and exchanged for the Merger Consideration as provided in Section 3.5.5.

3.5.5 Unclaimed Merger Consideration.

(a) Transfer to Surviving Corporation. Any portion of the Merger

Consideration that remains unclaimed by the stockholders of the Company 180 days after the Effective Time will be transferred to the Surviving Corporation. Any stockholder of the Company who has not theretofore complied with Section 3.5.2 will thereafter look only to the Surviving Corporation for payment of such stockholder's claim for the Merger Consideration. The Paying Agent will be authorized, at the request of Purchaser, to invest any Funds held by it in investment grade money market instruments having maturities not to exceed thirty days as designated by Purchaser, with any interest earned thereon being paid to

Purchaser at the earlier of (i) payment in full of the Merger Consideration to all stockholders and (ii) 180 days after the Effective Time.

(b) No Escheat of Remaining Funds. None of Purchaser, Merger Sub, the

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Company or the Paying Agent will be liable to any Person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. If any Certificates have not been surrendered before seven years after the Effective Time (or immediately before such earlier date on which any payment pursuant to this Section 3.5.5 would otherwise escheat to or become the property of any Government Entity), the Merger Consideration in respect of such Certificate will, unless otherwise provided by applicable Law, become the property of the Surviving Corporation, free and clear of all claims or interest of any Person previously entitled thereto.

3.5.6 Tax on Merger Consideration. The right of any stockholder to

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receive the Merger Consideration will be subject to and reduced by the amount of any required Tax withholding obligation.

#### 4. Representations And Warranties Of The Company

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The Company represents and warrants that, except as expressly disclosed in the applicable corresponding section of the disclosure schedule delivered to Purchaser concurrently herewith (the "Disclosure Schedule") or except where such disclosure is either cross-referenced to an applicable corresponding section of the Disclosure Schedule or the substance and applicability of such disclosure to another section of the Disclosure Schedule or the Agreement is reasonably evident from such disclosure and its context, the following statements are true and correct; provided that no disclosure on the Disclosure Schedule will be deemed to modify the representation contained in the first sentence of Section 4.2. Unless the context otherwise requires, the term "Company" in this Section 4 refers to the Company together with its wholly owned subsidiary, JC Holdings, Inc., a Delaware corporation.

4.1 Organization and Corporate Power. The Company: (a) is a corporation duly

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organized, validly existing and in good standing under the Laws of the State of Delaware; (b) is qualified to do business in every jurisdiction in which its ownership of property or conduct of business requires it to qualify, except where the failure to so qualify would not reasonably be expected to have a Material Adverse Effect on the Company; and (c) has the requisite corporate power and authority and the legal right to (i) own, pledge, mortgage or otherwise encumber and operate its properties, (ii) lease the property it operates under lease, (iii) conduct its business as now conducted and as presently proposed to be conducted, and (iv) enter into this Agreement, perform its obligations hereunder and carry out the Transactions. The Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and the Company's Bylaws (the "Bylaws") on

file with the SEC as of the date of this Agreement are true and correct and no further amendments have been made to them. The minute books of the Company accurately reflect in all material respects all material corporate actions held or taken since December 31, 1998 of its stockholders and its Board (including committees of the Board).

4.2 Capital Stock and Related Matters. The authorized capital stock of the  
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Company consists of (a) 24,000,000 shares of common stock, of which 12,646,296 shares are issued and outstanding, and 1,186,942 shares are reserved for issuance upon exercise of the Company's outstanding Equity Derivatives; and (b) 12,000,000 shares of Series A Convertible Preferred Stock, of which no shares are issued and outstanding. All of the Shares are duly authorized and validly issued, fully paid and nonassessable. The Disclosure Schedule sets forth a list of all Equity Derivatives as of the date of this Agreement. The Company does not have outstanding any other Equity Derivative or any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock. There are no statutory or contractual stockholders' preemptive rights with respect to any securities of the Company. As of the date of this Agreement, no shares of the Company's Common Stock or Preferred Stock are reserved for issuance, except for 1,186,942 shares of Common Stock reserved for issuance in connection with the Equity Derivatives set forth on the Disclosure Schedule. Since December 31, 1998, the Company has not issued any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than in connection with the Equity Derivatives granted before such date. In no event will the aggregate number of shares of the Company's Common Stock outstanding at the Effective Time exceed 12,646,296 shares other than through the exercise of stock options listed on the Disclosure Schedule. The authorized capital stock of JC Holdings, Inc. consists of 1,000 shares of common stock, of which ten shares are issued and outstanding, and no shares are reserved for issuance upon exercise of outstanding Equity Derivatives. The Company owns, directly or indirectly, all of the issued and outstanding shares of capital stock of JC Holdings, Inc., free and clear of any Liens, and all of such shares are duly authorized and validly issued and are fully paid and nonassessable. JC Holdings, Inc. does not have outstanding any Equity Derivative or any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock. There are no statutory or contractual stockholders' preemptive rights with respect to any securities of JC Holdings, Inc.

4.3 Subsidiaries; Partnerships. The Company has no Subsidiaries, is not a  
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partner in any partnership, and holds no stock in any other Person.

4.4 Authorization; No Breach.

4.4.1 Authority. The Company has duly authorized by all necessary

corporate action (a) the execution, delivery and performance of this Agreement and (b) the Transactions, and no other corporate proceeding on its part is necessary to authorize the execution, delivery or performance of this Agreement by Company. This Agreement constitutes a valid and binding obligation of the Company.

4.4.2 Board Approval. This Agreement, the Offer and the Merger have been

unanimously approved by the Company's Board. The Company's Board and any appropriate Committee has adopted resolutions: (a) determining that the Offer and Merger are fair to the holders of the Shares and in the best interests of the Company and such holders; (b) approving this Agreement, the Support Agreements and the Offer and Merger; (c) determining that this Agreement is advisable, in accordance with the DGCL; (d) directing that the Agreement be submitted to holders of Shares for their adoption and approval, to the extent required under applicable Law; (e) recommending acceptance of the Offer, the approval and adoption of this Agreement and approval of the Merger by the holders of the Shares; and (f) taking such action with respect to the Company's Equity Derivatives as is necessary to achieve the results contemplated by Section 3.3.5. The Company consents to the inclusion in the Offer Documents of the recommendation of the Company's Board. Other than as contemplated herein, no other corporate proceeding on the part of the Company, its Board or the holders of Shares is necessary to approve and adopt this Agreement and to consummate the Transactions contemplated hereby.

4.4.3 Financial Advisor Opinion. Salomon Smith Barney Inc. ("SSB"), the

Company's financial advisor, has rendered an opinion to the Company's Board (subject to the qualifications and assumptions set forth therein) to the effect that, as of the date of this Agreement, the Per Share Amount to be received in the Offer and the Merger, taken together, by the holders of the Shares is fair, from a financial point of view.

4.4.4 Noncontravention. The execution and delivery by the Company of this

Agreement, and the fulfillment of and compliance with the respective terms hereof by the Company, and the consummation of the Transactions, do not and will not: (a) conflict with or result in any breach of any provision of the Certificate of Incorporation or Bylaws; (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company is a party; or (c) violate any Law applicable to the Company, except, in the case of clauses (b) or (c), for violations, breaches or defaults

that either individually or in the aggregate would not have a Material Adverse Effect on the Company. The consummation by the Company of the Transactions will not require the consent or approval of or filing with any Government Entity or other Third Party, except for: (i) applicable requirements, if any, of the Exchange Act, the Securities Act and the securities Laws of the various jurisdictions in which holders of Shares reside; (ii) the filing of the Merger Certificate and related requirements pursuant to the DGCL; (iii) any filings and approvals required under the HSR Act; and (iv) applicable requirements, if any, of the Code and state, local and foreign Tax Laws. In addition, the foregoing sentence is qualified to the extent that the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not: (w) prevent or delay consummation of the Transactions in any material respect; (x) otherwise prevent the Company from performing its obligations under this Agreement in any material respect; (y) reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company; or (z) materially hinder or make materially more burdensome the consummation of the Transactions.

#### 4.5 Financial Statements; SEC Filings.

4.5.1 SEC Filings. From the date the Company first became registered

under the Exchange Act, the Company has filed with the SEC all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy materials, registration statements and other filings required to be filed by it pursuant to the federal securities laws, (collectively, the "SEC Filings"). The SEC Filings did not (as of their respective filing dates, mailing dates or effective dates, as the case may be) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company Material Contracts filed as exhibits to the SEC Filings are complete and correct, except where portions have been redacted pursuant to a request for confidentiality.

4.5.2 Financial Statements. The audited and unaudited consolidated

financial statements of the Company included in the SEC Filings and the unaudited consolidated financial statements of the Company for the calendar year period ending December 31, 1999 and as of December 31, 1999 included in the Disclosure Schedule were each prepared in accordance with GAAP applied on a consistent basis (except as stated in such financial statements) and fairly present in all material respects the financial position of the Company as of the respective dates thereof and the results of its operations and cash flow for the respective periods covered by such financial statements. The foregoing sentence is subject, in the case of the unaudited financial statements, to normal year-end audit adjustments that, in the case of the 1999 unaudited financial statements will not result in a material change in the Company's financial condition or results of operations.

4.5.3 Absence of Undisclosed Liabilities. The Company has no liabilities

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(whether accrued, absolute, contingent, unliquidated or otherwise, whether due or to become due and regardless of when asserted) other than: (a) liabilities adequately reserved or provided for in the Balance Sheet; (b) liabilities entered into in the ordinary course of business that are not required to be accounted for in the Balance Sheet under GAAP; and (c) liabilities that have arisen, and obligations under agreements entered into, after the date of the Balance Sheet in the ordinary course of business.

4.5.4 No Material Adverse Change. Since the date of the Balance Sheet,

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the Company has operated its business in the ordinary course and there has not been: (a) any change in the business, assets, operations, condition (financial or otherwise), results of operations, properties, earnings, customer and supplier relations (including co-packers), considered as a whole, or employee or sales representative relations of the Company, considered as a whole, that would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company; (b) any damage, destruction or loss, whether covered by insurance or not, that would reasonably be expected to have a Material Adverse Effect on the Company; (c) any declaration, setting aside or payment of any dividend (whether in cash, stock or property) with respect to the capital stock of the Company; (d) any new employment agreement calling for aggregate annual compensation in excess of \$100,000; (e) any increase in the compensation payable by the Company to its directors or executive officers outside the ordinary course of the Company's business, except as required by contracts or plans set forth on the Disclosure Schedule; (f) any new severance, termination of employment, bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such executive officers or key employees, except for (i) salary increases, effective January 1, 2000, for all employees other than executive officers; (ii) benefit plan modifications, effective January 1, 2000, for all employees, excluding bonus plans; and (iii) payments required by the Company's 1999 Bonus Plan in the approximate amount set forth on the Disclosure Schedule; (g) any incurrence of any material liability or obligation (indirect, direct or contingent), or any new material oral or written agreement or other transaction, that is not in the ordinary course of business or that would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company; or (h) any preparation or filing of any Tax Return inconsistent in any material respect with past practice or, on any such Tax Return, the taking of any position, the making of any election, or the adoption of any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Tax Returns in prior periods.

4.6 Title. Except for: (a) properties and assets disposed of in the ordinary

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course of business since the date of the Balance Sheet; (b) Liens disclosed on the Balance Sheet; or (c) assets used or held under license or similar

arrangements with third parties, the Company has good and marketable title to, or a valid leasehold interest in, the properties and assets shown on the Balance Sheet or acquired thereafter, and all assets necessary for the conduct of its businesses as presently conducted, free and clear of all Liens, except for equipment leases that aggregate less than \$25,000.

4.7 Tax Matters. The Company has filed all Tax Returns that it is required to -----

file with any Tax Authority, and all such Tax Returns are complete and correct in all material respects; the Company has paid all Taxes due and owing by it, and has not waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. No Tax audits are pending or being conducted with respect to the Company, no information related to Tax matters has been requested by any Tax Authority, and no notice indicating an intent to open an audit or other review has been received by the Company from any Tax Authority. The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party.

4.8 Contracts and Commitments. -----

4.8.1 Company Material Contracts The Disclosure Schedule sets forth a -----

complete and accurate list of (and, other than documents filed as exhibits to the SEC Filings, Purchaser has been provided complete and correct copies of) any of the following contracts to which the Company is a party or by which the Company is bound (each, a "Company Material Contract"):

- (a) all written management, compensation, employment or other contracts entered into with any executive officer, director or key employee of the Company;
- (b) all contracts under which the Company has any outstanding indebtedness, obligation or liability for borrowed money or the deferred purchase price of property or has the right or obligation to incur any such indebtedness, obligation or liability, in each case in an amount greater than \$100,000 and in the aggregate more than \$1,000,000;
- (c) all bonds or agreements of guarantee or indemnification under which the Company acts as surety, guarantor or indemnitor with respect to any obligation (fixed or contingent) in an individual amount or potential amount greater than \$100,000 or in the aggregate more than \$1,000,000;
- (d) all noncompete or similar agreements;
- (e) all partnership and joint venture agreements;

- (f) all agreements relating to material acquisitions or dispositions of any business or product line;
- (g) all insurance policies currently in effect and covering the Company, its operations or personnel;
- (h) all bonus, profit sharing, compensation, severance, termination, stock option, pension, retirement, deferred compensation, employment or other employee benefit agreements, trusts, plans, funds or other arrangements for the benefit or welfare of any director, officer or employee of the Company;
- (i) all agreements pursuant to which the Company has agreed to pay any rebates;
- (j) all private label agreements with any of the Company's customers;
- (k) all supply agreements with any of the Company's suppliers including co-packers, together with any modification thereof or subsequent agreement related thereto; and
- (l) all agreements, together with any modification thereof or subsequent agreement related thereto, pursuant to which the Company has licensed from, or to, a third party any product formulations, inventions, trade secrets, know-how, trademarks, trademark registrations, trade names, copyrights or other intellectual property that are material, individually or in the aggregate, to the Company.

The term Company Material Contract does not include any purchase orders having a duration of one year or less for products, services or inventory issued or received in the ordinary course of business.

4.8.2 No Default. The Company is not in default under the terms of any  
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Company Material Contract in a manner that permits the other party to adversely alter or terminate any rights of the Company or to collect damages, that would either individually or in the aggregate, have a Material Adverse Effect on the Company. To the Knowledge of the Company, (a) no other party thereto is in default in any material respect under the terms of any Company Material Contract and (b) each Company Material Contract is valid, binding and enforceable in accordance with its terms. The Company has not assigned any of its rights or obligations under any Company Material Contract, nor received any notice of termination with respect to any Company Material Contract.

4.9 Trademarks, Patents. The Company owns all material product formulations,  
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inventions, trade secrets, know-how, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights and other

intellectual property necessary for the conduct of its business, including any of the foregoing described in its Annual Report on Form 10-K for the year ended December 31, 1998, as supplemented in the Disclosure Schedule. The Company has not received any notice of, and has no Knowledge of, any infringement of or conflict with the Company's rights by third parties with respect to any product formulations, inventions, trade secrets, know-how, trademarks, service marks, trade names or copyrights or other intellectual property. The Company has not received any notice of, and has no Knowledge of, any infringement of or conflict with rights of third parties with respect to any product formulations, inventions, trade secrets, know-how, trademarks, service marks, trade names or copyrights or other intellectual property that, either individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would be material to the business of the Company.

4.10 Litigation, Etc. There are no Actions pending or, to the Company's

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Knowledge, threatened against the Company with respect to the Company's business that if adversely determined, would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company. The Company is not subject to any judgment, order or decree of any Government Entity that in any of such cases would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company.

4.11 Insurance Coverage. The Company has in full force and effect the insurance

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policies listed in the Disclosure Schedule. Such policies will not terminate or otherwise materially be affected solely as a result of consummation of the Transactions.

4.12 Labor Relations. There is no pending or, to the Company's Knowledge,

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threatened strike, slowdown, work stoppage, lockout or other collective labor action affecting the Company or efforts to unionize the Company's employees.

4.13 Compliance with Laws.

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4.13.1 General. The Company has not violated any Laws, which violation

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has had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company, and the Company has no Knowledge of any such violation.

4.13.2 Environmental and Safety Matters. Neither the Company nor, to

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Company's Knowledge, any Third Party, has disposed of, released or caused any contamination by any Hazardous Materials on or about any properties at any time owned, leased or occupied by the Company that in any of such cases would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company. To the Company's Knowledge, it

has not disposed of any materials at any site that could be expected to require remediation or that is being investigated or remediated for contamination or possible contamination of the environment. To the Company's Knowledge, it has conducted its business in compliance with all applicable Environmental and Safety Requirements. Company has no Knowledge of any notice of any investigation, claim or proceeding against Company relating to any Environmental and Safety Requirements or to Hazardous Materials and, to the Company's Knowledge, the Company has not taken any action that would reasonably be expected to involve Company in any environmental litigation, proceeding, investigation or claim or impose any environmental liability upon Company.

4.13.3 Governmental Authorizations and Regulations. The Company holds all  
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governmental licenses, permits and other authorizations necessary for its business, except where the failure to hold the same would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company. Such governmental licenses, permits and other authorizations are valid and sufficient in all material respects for all business presently carried on by the Company, and, to the Company's Knowledge, there is no threatened suspension, cancellation or invalidation of any such license, permit or other authorization, that, if suspended, cancelled or invalidated, would reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect on the Company.

4.14 Affiliated Transactions. To the Company's Knowledge, and except as  
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disclosed in the SEC Filings, no Affiliate of the Company or any director, officer or key employee of the Company, or any individual related by blood or marriage to any such Person, or any entity in which, to the Company's Knowledge, any such Person, directly or indirectly, owns any material beneficial interest, is a party to any material contract, transaction or proposed transaction with the Company or has any material interest in any property necessary for the Company's operations.

4.15 Brokers. The Company has not employed any broker or finder or incurred any  
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liability for any brokerage fees, commissions, or finder's fees in connection with the Transactions, except that SSB has been employed as financial advisor to the Company.

4.16 ERISA; Employee Benefits.  
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(a) Type of Employee Benefit Plans. Except as set forth on the Disclosure  
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Schedule, the Company neither maintains, contributes to nor has any liability or potential liability with respect to (i) any employee benefit plan (as defined in Section 3(3) of ERISA), or (ii) any other plan, program, policy, practice, arrangement or contract providing benefits or payments to current or former employees (or to their beneficiaries or dependents) of

the Company, including any bonus plan, plan for deferred compensation, nonqualified retirement plan, equity or stock-based incentive plan, severance plan, employee health or other welfare benefit plan or other arrangement. For purposes of this Section 4.16(a), the "Company" will be deemed to include any entity required to be aggregated in a controlled group or affiliated service group with the Company for purposes of ERISA or the Code (including under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA), at any relevant time. For purposes of this Agreement, each such item listed on the Disclosure Schedule is a "Benefit Plan".

- (b) Qualified Plans. Each Benefit Plan that is intended to be qualified  
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within the meaning of Section 401(a) of the Code (i) has received a determination from the Internal Revenue Service (the "IRS") that such Benefit Plan is qualified under Section 401(a) of the Code, and, to the knowledge of the Company, nothing has occurred since the date of such determination that could adversely affect the qualification of such Benefit Plan, or (ii) is within the remedial amendment period for requesting such determination letter.
- (c) No Liability, etc. The Company has no liability or potential  
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liability with respect to (i) any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA) that is subject to Section 302 of ERISA and Section 412 of the Code or (ii) any Multi-Employer Plan. The Company has complied in all material respects with the health care continuation requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code ("COBRA"); and the Company has no obligation under any Benefit Plan or otherwise to provide post employment health or life insurance benefits to current or former employees of the Company or to any other person, except as specifically required by COBRA. No Benefit Plan provides severance benefits to any current or former employees.
- (d) Change in Control Payments. None of the Benefit Plans obligates the  
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Company to pay any separation, severance, termination or similar benefit, or accelerate any option or vesting schedule, solely as a result of a change of control or ownership within the meaning of any Benefit Plan or Section 280G of the Code. All change-in-control payments are listed on the Disclosure Schedule.
- (e) Compliance With Laws. Each Benefit Plan and any related trust,  
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insurance contract or fund has been maintained, funded and administered in compliance in all material respects with its respective terms and with all applicable Laws including ERISA and the Code. There are no pending or, to the knowledge of the Company, threatened actions, suits, investigations or claims with respect to any Benefit Plan.

No employee of the Company is a "leased employee" as defined in Section 414(n) of the Code.

- (f) Payments Made. With respect to each Benefit Plan, all required or recommended (in accordance with historical practices) payments, premiums, contributions, reimbursements or accruals for all prior periods (or partial periods) have been made or properly accrued. None of the Benefit Plans has any unfunded liabilities which have not been properly accrued.
- (g) Disability; Leaves of Absence. No current or former employee of the Company (i) is eligible for long-term disability or short-term disability benefits, (ii) is on an approved leave of absence or (iii) is receiving or has filed a claim for workers' compensation benefits. The Disclosure Schedule includes all material claims for worker's compensation benefits.

4.17 Required Vote of Company Stockholders The affirmative vote of the holders of a majority of the outstanding shares of the Company's Common stock is required to adopt this Agreement. No other vote of the stockholders of the Company is required by law, the Certificate of Incorporation or By-Laws or otherwise in order for the Company to consummate the Merger and the Transactions.

4.18 State Takeover Laws. The Company's Board has, to the extent such statute is applicable, taken all action (including appropriate approvals of the Company's Board) necessary to exempt the Purchaser and Merger Sub and their respective affiliates, the Merger, this Agreement, the Transactions, and the Support Agreements from Section 203 of the DGCL. To the Knowledge of the Company, no other state takeover statutes are applicable to the Merger, this Agreement, or the Transactions.

#### 5. Representations And Warranties Of Purchaser

Purchaser represents and warrants to the Company as follows:

- 5.1 Organization. Purchaser is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Merger Sub is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware.
- 5.2 Authority. Each of Purchaser and Merger Sub has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Purchaser and Merger Sub of this Agreement and the Transactions have been duly authorized by all necessary corporate action and no other corporate proceedings on either of their part are necessary to authorize the execution,

delivery or performance of this Agreement by Purchaser or Merger Sub. This Agreement constitutes the valid and binding agreement of Purchaser.

5.3 Effect of Agreement. The execution, delivery and performance of this

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Agreement and the consummation of the Transactions, including the making of the Offer by Purchaser and Merger Sub, will not constitute a breach or violation of or a default under (a) the charter documents or the bylaws of Purchaser or Merger Sub; (b) any applicable Law; (c) any judgment, decree, order, governmental permit or license binding on Purchaser or Merger Sub; or (d) any indenture, agreement or instrument to which Purchaser or Merger Sub is subject, other than, in the case of (a) through (d) above, a breach, violation or default that would not reasonably be expected to prevent, materially hinder or make materially more burdensome the consummation by Purchaser or Merger Sub of the Transactions. The consummation by Purchaser and Merger Sub of the Transactions will not require the consent or approval of or filing with any Government Entity or other Third Party, except for (i) applicable requirements, if any, of the Exchange Act, the Securities Act and the securities Laws of the various jurisdictions in which holders of Shares reside, (ii) the filing of the Merger Certificate and related requirements pursuant to the DGCL, (iii) any filings and approvals required under the HSR Act, and (iv) applicable requirements, if any, of the Code and state, local and foreign Tax Laws. In addition, the foregoing sentence is qualified to the extent that the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not (w) prevent or delay consummation of the Transactions in any material respect, (x) otherwise prevent Purchaser from performing its obligations under this Agreement in any material respect, (y) reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Purchaser, or (z) the failure to obtain such consent or approval or make such filing would prevent, materially hinder or make materially more burdensome the consummation of the Transactions.

5.4 Financing. Purchaser has adequate liquid resources to pay the Merger

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Consideration and the amounts necessary to cancel the Equity Derivatives as contemplated by this Agreement without recourse to Third Party financing (other than existing definitive financial arrangements that are not conditional upon due diligence by such Third Parties with respect to the Company).

6. Covenants

6.1 Conduct of Business of the Company. During the period from the date of

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this Agreement to the Effective Time, except as specifically contemplated by this Agreement or as described on the Disclosure Schedule, or as otherwise approved by Purchaser, the Company will at all times (a) conduct its business in a manner such that at the Effective Time, the closing conditions in Section 8 will be met, including the continued truth and accuracy of the

representations and warranties set forth herein, and (b) comply at all times with the following covenants.

6.1.1 Ordinary Course; Preserve Relationships. The Company will conduct

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its business only in the usual and ordinary course and in compliance with this Agreement, and use commercially reasonable efforts to: (a) maintain, preserve and renew all customer and supplier (including co-packer) relationships, material contracts, licenses, authorizations and permits necessary to the conduct of its business; (b) keep available the services of key employees; (c) preserve the goodwill of those having business relationships with it; and (d) pay and otherwise satisfy its obligations within the time periods required by the Company's contractual obligations.

6.1.2 Insurance. The Company will continue the Insurance Policies in

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full force.

6.1.3 Taxes and Liens. The Company will pay and discharge when payable

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all (a) Taxes imposed upon its properties or upon the income or profits therefrom (in each case before the same becomes delinquent and before penalties accrue thereon) and (b) material claims for labor, materials or supplies that if unpaid might by Law become a Lien upon any of its property, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and adequate reserves (as determined in accordance with GAAP) have been established on its books with respect thereto. The Company will not and will not agree to commit or make any material Tax election or take any position on any Tax Return filed on or after the date of this Agreement or adopt any method therefore that is inconsistent with elections made, positions taken or methods used in preparing or filing similar Tax Returns in prior periods in each case without the prior consent of Purchaser, such consent not to be unreasonably withheld.

6.1.4 Contracts and Laws. The Company will (a) comply with all other

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obligations that it presently has and all other obligations that it incurs pursuant to any Company Material Contract, as such obligations become due, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and adequate reserves (as determined in accordance with GAAP) have been established on its books with respect thereto and (b) comply in all material respects with all applicable Laws.

6.1.5 Acquisition; Consolidation; Reorganization; Sale of Assets. The

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Company will not and will not agree or commit to: (a) merge or consolidate with any Person or acquire, directly or indirectly through Subsidiaries, assets (other than in the ordinary course of business); (b) liquidate, dissolve or effect a reorganization in any form of transaction; or (c) sell, lease, transfer or otherwise dispose of any of its properties or assets, except in the ordinary

course of business consistent with past practice or, in the case of events described under clauses (a), (b) or (c) above, as permitted under Section 6.6.

6.1.6 Limitations on Indebtedness; Investments; Contracts; etc. The  
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Company will not: (a) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse or otherwise as an accommodation become responsible for, the obligations of any other Person, other than under the Company's existing credit line listed in the Disclosure Schedule; (b) make any loans, advances, or capital contributions to, or investments in any other Person (other than advances to employees, and the maintenance of its cash reserves, in the ordinary course of business consistent with past practice); (c) enter into any contract that would be a Company Material Contract other than in the ordinary course of business consistent with past practice; (d) make any capital expenditures or purchases of fixed assets that are not currently budgeted and that in the aggregate exceeds \$250,000; (e) terminate or amend in any material respect any Company Material Contract other than as required in the Company's ordinary course of business; or (f) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited hereunder.

6.1.7 Amendment to the Company's Certificate of Incorporation and Bylaws.  
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The Company will not amend its Certificate of Incorporation or Bylaws in any manner.

6.1.8 Equity Issuances. Except as expressly contemplated by this  
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Agreement, the Company will not (a) authorize, issue or enter into any contract providing for the issuance (contingent or otherwise) of, any capital stock or other Equity Derivatives; (b) enter into any contract with respect to the purchase or voting of shares of its capital stock or Equity Derivatives; (c) adjust, split, combine, reclassify or amend any material term of its Shares; or (d) make any other changes in its capital structure.

6.1.9 Dividends. The Company will not declare, set aside, pay or make any  
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dividend or other distribution or payment (whether in cash, stock or property) with respect to, or purchase or redeem, any capital stock or Equity Derivatives.

6.1.10 Accounting Policies. The Company will not take, agree or commit to  
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take or fail to take any action with respect to accounting policies or procedures that are inconsistent with past practice (other than in the ordinary course of business or as required by changes in GAAP).

6.1.11 Litigation. The Company will not, without the consent of Purchaser  
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settle or compromise, or agree or commit to settle or compromise, any suit or claim or threatened suit or claim (including any claim of the type referred to in Section 3.4) for an amount that individually or when aggregated with all

settlements occurring during the term of this Agreement would exceed \$1 million.

6.1.12 Other Actions. The Company will not take, agree or commit to take

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or fail to take any action that would result in any of the representations and warranties of the Company contained herein being untrue or any of the Company's covenants to be breached (a) as of the date of such action or inaction or (b) as of the Effective Time.

6.2 Access and Information.

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6.2.1 Company Records. Subject to applicable Laws and fiduciary and

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privacy obligations, the Company will permit Purchaser, Merger Sub and their respective representatives to have reasonable access during normal business hours, upon reasonable notice, to all of the Company's properties, books, records, Tax Returns, and all other information with respect to the Company's business as Purchaser may from time to time reasonably request, and to discuss the Company's business with the Company's directors, officers, employees, accountants, counsel, suppliers (including co-packers), customers, and creditors, as Purchaser reasonably considers necessary or appropriate in connection with the Transactions. Any such investigation will be conducted in such manner as not to interfere unreasonably with the operation of the business of the Company. No investigation pursuant to this Section 6.2.1 or otherwise will affect or be deemed to modify any representations or warranties made in this Agreement or the conditions to the obligations of the parties to consummate the Merger.

6.2.2 Confidential Information. Notwithstanding any provision in this

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Agreement to the contrary, all Confidential Information will be treated by each of Purchaser, Merger Sub and the Company as set forth in the Confidentiality Agreement, which will remain in full force and effect.

6.3 Certain Filings, Consents and Arrangements.

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6.3.1 Consents. Purchaser, Merger Sub and the Company will use their

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commercially reasonable efforts to obtain any necessary consents, permits, authorizations, approvals and waivers to permit the consummation of the Transactions.

6.3.2 Filings. Purchaser, Merger Sub and the Company will cooperate with

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one another (a) in promptly determining whether any filings are required to be made or consents, approvals, permits or authorizations are required to be obtained under any Law from other parties in connection with the consummation of the Transactions and (b) in promptly making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such consents, permits, authorizations, approvals or waivers.

6.4 Hart-Scott-Rodino. Each party will as promptly as practicable and

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in any event within five business days from the date of this Agreement make all filings necessary under the HSR Act to obtain any required regulatory approvals of the Transactions. Each party will use its commercially reasonable efforts to resolve such objections, if any, as the Anti-Trust Division of the Department of Justice or the Federal Trade Commission assert with respect to the Transactions. Notwithstanding any other provision of this Agreement, in connection with seeking any approval of a Governmental Entity relating to this Agreement or the consummation of the Transactions, without the other party's prior written consent, neither party will, and neither party will be required to, commit to any divestiture transaction, agree to sell or hold separate, before or after the Effective Time, any of its businesses, product lines, properties or assets, in any such case, if such divestiture or such restrictions in the operation of such businesses, product lines, properties or assets, would, individually or in the aggregate, be reasonably expected to affect any material portion of the Company's business or assets after giving effect to the Merger or give rise to any of the effects described in Section 4(b) of Exhibit B.

6.5 Press Releases. Each of the parties agrees that it will not, nor will any

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of its respective Affiliates, issue or cause the publication of any press release or other public announcement with respect to the Offer, the Merger, this Agreement or the Transactions without the prior approval of the other party, except such disclosure as may be required by Law or by any listing agreement with NASDAQ or the New York Stock Exchange. If any such disclosure is so required, such disclosure will not be made without a good faith effort to confer with the other parties to this Agreement in advance of, and with respect to the substance of, such disclosure.

6.6 Non-Solicitation. The Company will not, directly or indirectly, through

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any subsidiary, officer, director, employee, financial advisor, representative or agent

- (a) solicit, initiate, or encourage any Acquisition Proposal;
- (b) except as permitted by clause (c) below, engage in negotiations or substantive discussions with any Third Party concerning, provide any non-public information to any person or entity relating to, or take any other action to facilitate inquiries or the making or any proposal that constitutes, an Acquisition Proposal; or
- (c) enter into any agreement with respect to any Acquisition Proposal; provided, however, that nothing contained in this Section 6.6 will

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prevent the Company or the Company's Board from furnishing, at any time before the closing of the Offer, non-public information to, or entering into discussions or negotiations with, any Third Party in connection with an

unsolicited bona fide written proposal for an Acquisition Proposal by such Third Party, if and only to the extent that the Company Board determines after consultation with counsel that doing so is required by its fiduciary duties to its stockholders, and

(i) such Third Party has made a written proposal to the Company's Board to consummate an Acquisition Proposal, which proposal identifies a price or range of values to be paid for the outstanding securities or substantially all of the assets of the Company,

(ii) the Company's Board determines in good faith, after consultation with its advisors (including SSB), that such Acquisition Proposal is reasonably capable of being completed on substantially the terms proposed, and would, if consummated, result in a transaction that would provide greater value to the holders of the Shares than the transaction contemplated by this Agreement (and any revised proposal made by Purchaser, if any) (a "Superior Proposal"), and

(iii) before furnishing such non-public information to, or entering into discussions or negotiations with, such person or entity, the Company's Board receives from such Person an executed confidentiality and standstill agreement with material terms in the aggregate no less favorable to such person than those contained in the Confidentiality Agreement.

6.6.1 Notice of Acquisition Proposal. The Company will notify Purchaser  
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promptly, and in any event within twenty-four hours, after receipt by the Company, or to the Company's Knowledge, the receipt by any of its advisors, of any Acquisition Proposal or any request for non-public information in connection with an Acquisition Proposal or for access to the properties, books or records of the Company by any Person that informs such party that it is considering making or has made an Acquisition Proposal. The Company will keep Purchaser informed on a current basis of the status of any such Acquisition Proposal or request for non-public information.

6.6.2 Board Approval.  
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(a) Company Prohibitions. Except as permitted by clause (b) below,  
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neither the Company's Board nor any committee thereof will: (a) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Purchaser, the approval or recommendation by the Company's Board or any such committee of this Agreement or the Merger; (b) approve or cause the Company to enter into an Acquisition Agreement; or (c) approve or recommend, or propose to publicly approve or recommend, any Acquisition Proposal.

(b) Exception for Superior Proposal. Notwithstanding anything to the

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contrary appearing in this Agreement, if the Company has received a Superior Proposal, the Company's Board may, to the extent that the Company's Board determines, after consultation with counsel, that doing so is required by its fiduciary duties to its stockholders, before the closing of the Offer terminate this Agreement pursuant to Section 9.2.4, but only at a time that is more than five days following receipt by Purchaser of written notice advising Purchaser that the Company's Board is prepared to accept such Superior Proposal, specifying the material terms and conditions of such Superior Proposal, and identifying the Third Party making such Superior Proposal.

6.6.3 Board Recommendation. Nothing contained in this Section 6 will

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prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) promulgated under the Securities Exchange Act or from making any disclosure to the Company's stockholders if such disclosure is required by the Company's Board's fiduciary duties to its stockholders, as concluded by the Company's Board in good faith after consultation with its advisors.

6.6.4 Other Confidential Agreements. During the period from the date of

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this Agreement through the Effective Time, the Company shall not terminate, amend, modify or waive any provision of any confidentiality, standstill or similar agreement to which it or any of its Subsidiaries is a party and which relates to any transaction that could constitute an Acquisition Proposal or that has as a counterparty any Person making an Acquisition Proposal.

6.7 Notice of Claims. The Company shall promptly notify Purchaser of any

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actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Company, threatened against, relating to or involving or otherwise affecting the Company which, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.10 or which relate to the consummation of the Transactions. In addition, the Company shall promptly notify Purchaser of (a) (i) it becoming aware of any fact or event which would be reasonably likely to demonstrate that any of its representations or warranties contained in this Agreement was or is untrue or inaccurate in any material respect as of the date of this Agreement or (ii) the occurrence of non-occurrence of any fact or event which would be reasonably likely to cause any material covenant, condition or agreement of the Company under this Agreement not to be complied with or satisfied in all material respects and (b) the Company's failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder in any material respect; provided, however, that no such notification shall affect the representations or warranties of any party or the conditions to the obligations of any party hereunder.

6.8 Additional Agreements. Each party will take, or cause to be taken, all  
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actions and promptly to do, or cause to be done, all things reasonably  
necessary, proper or advisable to consummate the Transactions.

7. Purchaser Covenants  
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7.1 Indemnification and Insurance.  
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7.1.1 Indemnification. From and after the Effective Time, Purchaser will  
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cause the Surviving Corporation to indemnify, defend and hold harmless, to the fullest extent that the Company would be required under its presently existing Certificate of Incorporation, presently existing bylaws and any applicable Laws, each Person who is now or was before the date hereof an officer or director of the Company (individually, an "Indemnified Party" and collectively, the "Indemnified Parties"), against all losses, claims, damages, liabilities, costs or expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement in connection with any Action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such occurring at or before the Effective Time. Any Indemnified Party wishing to claim indemnification will promptly notify the Surviving Corporation thereof (provided that failure to so notify the Surviving Corporation will not affect the obligations of the Surviving Corporation except to the extent that the Surviving Corporation is materially prejudiced as a result of such failure). With respect to any Action for which relief under this Section 7.1.1 is requested, the Surviving Corporation will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Surviving Corporation may assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party. After notice from the Surviving Corporation to the Indemnified Party of its election to assume the defense of an Action, the Surviving Corporation will not, during the period that such defense is being actively maintained, be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof, other than as provided below. The Surviving Corporation will not settle any Actions without the consent of the Indemnified Party where such settlement includes an admission of civil, criminal or administrative liability, or censure or sanction on behalf of an Indemnified Party or requires any payment to be made by the Indemnified Party. The Indemnified Party will have the right to employ counsel in any Action, but the fees and expenses of such counsel incurred after notice from the Surviving Corporation of its assumption of the defense thereof will be at the expense of the Indemnified Party unless (a) the employment of counsel by the Indemnified Party has been authorized by the Surviving Corporation in writing; (b) the Indemnified Party has reasonably concluded upon the advice of counsel that there may be a conflict of interest between the Indemnified Party and the Surviving Corporation in the conduct of the defense of an Action; or (c) the Surviving Corporation has not in fact employed counsel to assume

the defense of an Action. In each of the foregoing cases the reasonable fees and expenses of counsel selected by the Indemnified Party will be at the expense of the Surviving Corporation. Notwithstanding the foregoing, the Surviving Corporation will not be liable for any settlement effected without its written consent, which will not be unreasonably withheld, conditioned or delayed, and the Surviving Corporation will not be obligated pursuant to this Section 7.1.1 to pay the fees and disbursements of more than one counsel (in addition to any local counsel) for all Indemnified Parties in any single Action, except to the extent two or more of such Indemnified Parties have conflicting interests in the outcome of such action.

7.1.2 Insurance. For a period of six years after the Effective Time, the  
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Surviving Corporation will maintain officers' and directors' liability insurance covering the Indemnified Parties who are currently covered by the Company's existing officers' and directors' liability insurance policies on terms substantially no less advantageous to the Indemnified Parties than such existing insurance. The Surviving Corporation will not, however, be required, in order to maintain or procure such coverage, to pay premiums on an annualized basis in excess of 200% of the current annual premium paid by the Company for its existing coverage (the "Cap"). If equivalent coverage cannot be obtained, or can be obtained only by paying an annual premium in excess of the Cap, the Surviving Corporation will only be required to obtain as much coverage as can be obtained by paying premiums on an annualized basis equal to the Cap.

7.1.3 Survival. The provisions of this Section 7.1 will survive the  
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consummation of the Merger and expressly are intended to benefit each of the Indemnified Parties. They are in addition to, and not in replacement or waiver of, any other rights or remedies any Indemnified Person may have under Law, contract, or otherwise.

7.2 Employee Compensation Arrangements.  
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7.2.1 Purchaser Will Honor. Purchaser and Merger Sub will honor all  
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legally imposed obligations relating to employment matters. Purchaser and Merger Sub intend to cause the Surviving Corporation to provide benefits to employees of the Surviving Corporation that are no less favorable in the aggregate to such employees than those in effect on the date hereof and listed on the Disclosure Schedule (other than the stock based compensation plans). Nothing herein will obligate Purchaser to provide such employees with any stock based compensation (including stock options or stock appreciation rights) after the Effective Time. The foregoing will not limit or restrict the right of the Surviving Corporation to terminate the employment of such employees or subsequently to modify the benefits or other terms of employment of such employees, to the extent permitted by applicable Law.

7.2.2 Audit of 1999 Plan. Purchaser will engage Arthur Andersen, the

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Company's independent accountants, to conduct an audit of the Company's financial statements (in accordance with GAAP) for the fiscal year ending December 31, 1999 for purposes of calculating payments owing under the 1999 Bonus Plan, as in effect and disclosed on the Disclosure Schedule (the "Plan"). Purchaser will pay the Company's employees 1999 annual bonuses as soon as possible after such accountants deliver their audit opinion regarding the Company's 1999 financial statements based upon such financial statements.

7.2.3 Years of Credit. All service credited to each employee by the

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Company through the Effective Time will be recognized by Purchaser for purposes of eligibility and vesting (but not for level or accrual of benefits) under any employee benefit plan provided by the Surviving Corporation or Purchaser for the benefit of employees in which such employees of the Company participate.

7.2.4 Cooperation. The Company and Purchaser will cooperate in good faith

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in (a) communicating with Company employees with regard to the Merger and any personnel or employee benefits matters related thereto and (b) facilitating any necessary transitions in connection with the Merger with respect to Company benefit plans, payroll administration, or similar matters.

## 8. Conditions

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8.1 Conditions to the Obligations of Purchaser, Merger Sub and the Company.

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The obligations of Purchaser, Merger Sub and the Company to consummate the Merger are subject to the satisfaction, at or before the Effective Time, of each of the following conditions:

8.1.1 Stockholder Approval. The stockholders of the Company must have

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duly adopted this Agreement and approved the Merger, if required by applicable Law.

8.1.2 No Injunction. The consummation of the Merger must not have been

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precluded by any order or injunction of a court of competent jurisdiction, and there must not have been any Law enacted, promulgated or deemed applicable to the Merger by any Government Entity, that makes consummation of the Merger illegal.

8.2 Conditions to the Obligations of Purchaser and Merger Sub. The obligations

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of Purchaser and Merger Sub to consummate the Merger are subject to the satisfaction, at or before the Effective Time, of the following additional conditions:

8.2.1 Performance by the Company. The Company must have performed in all  
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material respects the covenants and agreements set forth herein to be performed by it at or before the Effective Time.

8.2.2 Representations and Warranties. The representations and warranties  
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of the Company in this Agreement that are qualified as to materiality must be true and correct and representations and warranties that are not so qualified, taken together, must be true and correct in all material respects, in each case, as though made on the Effective Date (except for such representations and warranties made as of a specific date, which must be true and correct as of such date) with the same force and effect as though made on and as of such date.

8.2.3 Material Adverse Change. There must not have occurred after the  
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completion of the Offer any material adverse change in the condition (financial or otherwise), results of operations, business, prospects or contractual rights of the Company, except for such changes that are caused by the Company's compliance with the terms of this Agreement and the Offer or that are contemplated hereby.

8.2.4 No Injunction, Etc. No Action shall have been commenced after  
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completion of the Offer that (a) in the opinion of Purchaser's counsel is more likely than not to be successful, and (b) either (i) seeks an injunction, a restraining order or any other order seeking to prohibit, restrain, invalidate or set aside consummation of the Merger or (ii) if successful, would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company, Purchaser or the Surviving Corporation.

8.2.5 No Material Adverse Effect. From the date of this Agreement through  
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the Effective Time, there shall not have been any condition, event or occurrence that has resulted in, or that would reasonably be expected to result in, either individually or in the aggregate, a Material Adverse Effect on the Company.

8.2.6 Consents. The Company must have obtained all material consents,  
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waivers, approvals, authorizations or orders and made all filings required in connection with the authorization, execution and delivery of this Agreement by the Company and the consummation by it of the Transactions, and all applicable notice periods shall have expired.

8.2.7 Equity Derivatives. The Company must have taken any action  
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necessary to provide that Equity Derivatives will be treated as provided in Section 3.3.5.

8.2.8 Company Certificate. The Company must have delivered to Purchaser  
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and Merger Sub a certificate, as of the Effective Time, executed by

a senior executive officer of the Company, to the effect that to the best of such officer's Knowledge the conditions set forth in Section 8.1 have been fulfilled.

8.3 Condition to the Company's Obligation. The obligation of the Company to  
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consummate the Merger is subject to the satisfaction, at or before the Effective Time, of the following additional conditions:

8.3.1 Performance by Purchaser's Merger Sub. Purchaser and Merger Sub  
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must have performed in all material respects the covenants and agreements set forth herein to be performed by them at or before the Effective Time.

8.3.2 Representations and Warranties. The representations and warranties  
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of Purchaser and Merger Sub set forth in this Agreement that are qualified as to materiality must be true and correct and representations and warranties that are not so qualified, taken together, must be true and correct in all material respects, in each case, as though made on the Effective Date (except for such representations and warranties made as of a specific date, which must be true and correct as of such date) with the same force and effect as though made on and as of such date.

8.3.3 Purchaser and Merger Sub Certificates. Purchaser and Merger Sub  
-----  
must have each delivered to the Company a certificate, dated the date of the Effective Time and executed in each case by, a senior executive officer thereof, to the effect that to the best of such officer's Knowledge the conditions set forth in this Section 8 required to be met by such officer's corporation have been fulfilled.

9. Termination; Payments  
-----

This Agreement can be terminated before the Effective Time (notwithstanding any approval of this Agreement by the stockholders of the Company), only as set forth in this Section 9.

9.1 Mutual Consent. By the mutual consent of Purchaser, Merger Sub and the  
-----  
Company.

9.2 By Purchaser or Company.  
-----

9.2.1 Material Breach. By Purchaser or the Company if there has been any  
-----  
material breach of any representation, warranty, covenant or agreement set forth in this Agreement on the part of the non-terminating party, which breach will cause the conditions set forth in Section 8.1 or Section 8.3 (in the case of the Company) Section 8.1 or Section 8.2 (in the case of Purchaser) not to be satisfied, and the same shall not have been cured (if reasonably capable of cure) within five days after notice to the party in breach.

9.2.2 Expiration. By Purchaser or the Company if the Merger has not been  
-----  
consummated by June 30, 2000 (but this Section 9.2.2 will not be available  
to any party whose breach results in failure of the Merger to be  
consummated by such time).

9.2.3 Governmental Prohibition. By Purchaser or the Company if any  
-----  
Government Entity has issued a final order, decree or ruling or taken any  
other final action restraining, enjoining or otherwise prohibiting the  
consummation of the Offer or the Merger and such order, decree or ruling or  
other action has become nonappealable.

9.2.4 Company Directors Withdrawal of Approval.  
-----

(a) By the Company. By the Company at any time before the closing of the  
-----  
Offer, upon notice to Purchaser, if:

(i) under the circumstances permitted by Section 6.6 the Company's  
Board has withdrawn, or modified in a manner materially adverse to  
the Purchaser, approval or recommendation by the Company's Board of  
this Agreement, the Offer or the Merger; or

(ii) concurrently with the execution of an Acquisition Agreement  
under the circumstances permitted by Section 6.6 in connection with  
a Superior Proposal, provided that such termination under this  
clause (ii) will not be effective unless the Company and its Board  
have complied with their obligations under Section 6.6 in connection  
with such Superior Proposal.

(b) By Purchaser. By Purchaser upon notice to Company, if:  
-----

(i) the Company's Board has failed to recommend or withdrawn, or  
modified or publicly announced an intention to withdraw or modify in  
a manner materially adverse to the Purchaser, approval or  
recommendation by Company's Board of this Agreement, the Offer or  
the Merger; or

(ii) the Company's Board approves, recommends or enters into any  
Acquisition Proposal (including any Superior Proposal) or publicly  
announced its intention to do so.

9.3 By Purchaser.  
-----

9.3.1 Other Ownership. By Purchaser if another Person or Group acquires  
-----  
beneficial ownership of Shares representing more than fifty percent of the  
Shares.

9.3.2 Failure to Meet Offer Conditions. By Purchaser if it is not in  
-----  
breach of this Agreement and, because of a failure of any of the conditions  
set forth on

Exhibit B, Purchaser has: (a) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act; (b) terminated the Offer without purchasing and Shares pursuant to the Offer; or (c) failed to accept payment for the Shares pursuant to the Offer before April 30, 2000; provided further that the applicable date pursuant to this Section 9.3.2 will also be extended to the extent that the Expiration Date of the Offer is required to be extended by any rule, regulation, interpretation or position of the SEC or its staff applicable to a modification to the Offer by Purchaser in response to a Superior Proposal.

9.3.3 Minimum Condition. By Purchaser if the Offer terminates due to the  
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failure of the Minimum Condition.

9.3.4 Failure of Stockholder Vote. By Purchaser if the stockholders of  
-----  
the Company fail to approve the Merger and this Agreement at the Special Meeting.

9.3.5 Breach of Section 6.6. By Purchaser if the Company or any of its  
-----  
Affiliates shall have materially and knowingly breached the covenants contained in Section 6.6.

9.4 By the Company. By the Company, if the Company has not materially breached  
-----  
any of its representations, warranties, covenants or agreements under this Agreement, and Purchaser has: (a) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act; (b) terminated the Offer without purchasing any Shares pursuant to the Offer; or (c) failed to accept for payment Shares pursuant to the Offer before April 30, 2000; provided further that the applicable date pursuant to this Section 9.4 will also be extended to the extent that the Expiration Date of the Offer is required to be extended by any rule, regulation, interpretation or position of the SEC or its staff applicable to a modification to the Offer by Purchaser in response to the Superior Proposal.

9.5 Termination Fees and Expense Payment.  
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9.5.1 Immediate Payment.  
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(a) Termination Fee and Expense Payment. If this Agreement is terminated  
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as contemplated by any of the items enumerated in this Section 9.5.1(a), the Company will within two business days of such termination pay to Purchaser, by wire transfer in immediately available funds, a fee of \$5 million (the "Termination Fee") and an amount (not to exceed \$1 million to reimburse Purchaser for its documented out of pocket expenses incurred in connection with the Transactions (the "Expense Payment"). Terminations subject to this Section 9.5.1(a) are under:

(i) Section 9.2.1, if the Company has intentionally and willfully committed a breach as contemplated thereby;

(ii) Section 9.2.4(a);

(iii) Section 9.2.4(b),

(iv) Section 9.3.1;

(v) Section 9.3.2, 9.3.3, or 9.3.4 if the Minimum Condition has not been satisfied and either an Acquisition Proposal has been publicly announced or the Company's Board has failed to recommend or has withdrawn, or modified in a manner materially adverse to the Purchaser, approval or recommendation by the Company's Board of this Agreement, the Offer or the Merger; and

(vi) Section 9.3.5.

(b) Expense Payment Only. If Purchaser terminates this Agreement under

-----  
Section 9.2.1 other than as contemplated by Section 9.5.1(a), the Company will within two business days of such termination pay the Expense Payment to Purchaser by wire transfer in immediately available funds.

9.5.2 Deferred Payment. If this Agreement is terminated pursuant to

-----  
Section 9.3.2 because of a failure of any of the conditions set forth in Sections 4(c), (d) or (e) of Exhibit B, and within one year of such termination an Acquisition Agreement that would constitute an Acquisition Proposal is entered into or consummated and if entered into such transaction is subsequently consummated, the Company will pay Purchaser the Termination Fee and the Expense Payment on the date such transaction is consummated.

9.6 Effect of Termination. If this Agreement is terminated and abandoned, this

-----  
Agreement, except for the provisions of Sections 6.2.2, 6.5, 9.5, 9.6, 10.1, 10.11, 10.13 and 10.14, will become void and have no effect, without any liability on the part of any party or its affiliates, directors, officers or stockholders. No termination of this Agreement will relieve any party to this Agreement of liability for breach of this Agreement.

#### 10. Miscellaneous

10.1 Expenses Generally. Except as provided in Sections 9 and 10.11, all costs

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and expenses incurred in connection with this Agreement and the Transactions will be paid by the party incurring such expenses, whether or not the Offer or the Merger is consummated.

- 10.2 Survival. The representations, warranties and agreements in this Agreement  
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will survive any investigation made by any party, and the execution of  
this Agreement but, other than those in Section 7, will not survive the  
Merger.
- 10.3 Additional Documents and Acts. Each party will sign and deliver additional  
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documents and instruments, and perform additional acts, as are  
commercially reasonable and necessary to perform its obligations in this  
Agreement.
- 10.4 Waiver and Amendment. Any provision of this Agreement can be waived at any  
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time by the party that is, or whose stockholders are, entitled to the  
benefits thereof. This Agreement can be amended or supplemented at any  
time, except that after adoption by the stockholders of the Company, no  
amendment will be made that decreases the Per Share Amount or that in any  
other way materially and adversely affects the rights of such stockholders  
(other than a termination of this Agreement in accordance with terms)  
without the approval of such stockholders.
- 10.5 Complete Agreement. Except for the Confidentiality Agreement, this  
-----  
Agreement is the complete and exclusive statement of agreement of the  
parties as to matters covered by it. It replaces and supersedes all prior  
written or oral agreements or statements by and among the parties with  
respect to the matters covered by it. No representation, statement,  
condition or warranty not contained in this Agreement is binding on the  
parties.
- 10.6 Governing Law. This Agreement is to be construed and enforced in  
-----  
accordance with the internal Laws of the State of Delaware.
- 10.7 Waiver of Right to Jury Trial. EACH PARTY ON BEHALF OF ITSELF, ITS  
-----  
SUCCESSORS AND ASSIGNS, WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW,  
TRIAL BY JURY in any Action with respect to, in connection with, or  
arising out of this Agreement or the validity, protection, interpretation,  
collection or enforcement thereof. Notwithstanding anything contained in  
this Agreement to the contrary, no claim may be made against any party for  
any special, indirect or consequential damages in respect of any breach or  
wrongful conduct (other than willful misconduct constituting actual fraud)  
in connection with, arising out of or in any way related to this Agreement  
or any of the Transactions, or any act, omission or event occurring in  
connection therewith; and each party hereby waives, releases and agrees  
not to sue upon any such claim for any such damages. THIS SECTION IS A  
SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND EACH PARTY ACKNOWLEDGES  
THAT THE OTHER PARTIES WOULD NOT ENTER INTO THIS AGREEMENT IF THIS SECTION  
WERE NOT PART OF THIS AGREEMENT.
- 10.8 Notices, etc. All notices, consents, waivers, supplements and amendments  
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(including other communications required or permitted) under this  
Agreement

must be in writing. Deliveries required under this Agreement can be made only as follows: (a) in Person; (b) by registered, express, certified mail, postage prepaid, return receipt requested; (c) by a generally recognized courier or messenger service that provides written acknowledgement of receipt by the addressee; or (d) by facsimile or other generally accepted means of electronic transmission with a verification of delivery in all cases to the following addresses:

If to the Company to:

Balance Bar Company  
1015 Mark Avenue  
Carpinteria, California 93013  
Attention: James A. Wolfe  
Telecopier: (805) 556-0235

With a copy to:

O'Melveny & Myers LLP  
1999 Avenue of the Stars  
Los Angeles, California 90067-6035  
Attention: Kent V. Graham  
Telecopier: 310/246-6779

If to Merger Sub or Purchaser to:

Kraft Foods, Inc.  
Three Lakes Drive  
Northfield, Illinois 60093  
Attention: Theodore Banks  
Telecopier: (847) 646-4431

With a copy to:

Kirkland & Ellis  
200 East Randolph Drive  
Chicago, Illinois 60601  
Attention: Michael Timmers  
Telecopier: (312) 861-2200

Notices are deemed delivered when actually delivered to, or when delivery is refused at, the address for notices. Any party can furnish, from time to time, other addresses for notices to it.

10.9 Counterparts. This Agreement is being signed in several counterparts. Each  
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of them is an original and all of them constitute one agreement.

10.10 Certain Rules of Construction and Interpretation.  
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10.10.1 Headings. The headings in this Agreement are only for convenience  
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and ease of reference and are not to be considered in construction or interpretation. All exhibits, schedules and appendices attached to this Agreement are an integral part of it.

10.10.2 No Presumption. The parties have participated jointly in the  
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negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring

or disfavoring any party because it or its representatives drafted any of the provisions of this Agreement.

10.10.3 Interpretation. Unless the context otherwise requires: (a) a term

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has the meaning assigned to it; (b) "or" is not exclusive; (c) words in the singular include the plural, and words in the plural include the singular; (d) "amended," with reference to a Law, charter or bylaws, is deemed to be followed by "from time to time"; (e) "herein," "hereof" and other words of similar import refer to this Agreement as a whole and not to any particular Section, subsection, paragraph, clause, or other subdivision; (f) all references to "Section," "Schedule" or "Exhibit", refer to the particular Section in, or Schedule or Exhibit attached to, this Agreement; and (g) "including" and "includes," when following any general provision, sentence, clause, statement, term or matter, will be deemed to be followed by ", but not limited to," and, "but is not limited to," respectively.

10.11 Attorneys' Fees and Costs. If any Action is brought to enforce or

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interpret this Agreement or matters relating to it, the substantially prevailing party will be entitled to recover from the other party reasonable attorneys' fees and other costs incurred in such Action, in addition to any other relief to which the prevailing party is entitled.

10.12 Parties in Interest; Assignment. This Agreement is binding upon and is

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solely for the benefit of the parties and their respective successors and assigns except that Section 7.1 is for the express benefit of the Indemnified Parties. Purchaser and Merger Sub have the right to: (a) assign to one or more direct or indirect wholly owned subsidiaries of Purchaser any and all rights and obligations of Merger Sub under this Agreement, including the right to substitute in Merger Sub's place such a subsidiary as one of the constituent corporations in the Merger (if such subsidiary assumes all of the obligations of Merger Sub in connection with the Merger); (b) transfer to one or more direct or indirect wholly owned subsidiaries of Purchaser the right to purchase Shares tendered pursuant to the Offer; and (c) restructure the Transaction to provide for the merger of the Company with and into Merger Sub or any such other corporation as provided above, in all cases only if such action would not have any material and adverse effect on the Company's stockholders or change adversely the tax consequences of the Transactions. If Purchaser or Merger Sub exercise their right to so restructure the Transaction, the Company will promptly enter into appropriate agreements to reflect such restructuring. In any such event the amounts to be paid to holders of Shares will not be reduced nor will there be any material delay of the Effective Time.

10.13 Specific Performance. It might be impossible to measure in money the

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damage to a party if another party breaches this Agreement. If any such breach occurs, the party damaged might not have an adequate remedy at law or in damages. Therefore, each party consents to the issuance of an

injunction or other appropriate interim relief, and the enforcement of other equitable remedies, against it to compel performance of this Agreement, in addition to such other legal or equitable relief as a court awards.

10.14 Severability. Any term or provision of this Agreement that is invalid or -----

unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only so broad as is enforceable.

[Remainder of Page Intentionally Left Blank]

Kraft Foods, Inc.

By \_\_\_\_\_  
Name: William Eichar  
Title: Vice President, Mergers &  
Acquisitions

BB Acquisition, Inc.

By \_\_\_\_\_  
Name: William Eichar  
Title: President

Balance Bar Company

By \_\_\_\_\_  
Name: James A. Wolfe  
Title: President and Chief Executive  
Officer

EXHIBIT A

Defined Terms  
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Acquisition Agreement means a letter of intent, agreement in principle or any legally binding acquisition agreement or similar agreement relating to any Acquisition Proposal.

Acquisition Proposal means any inquiry or proposal that constitutes, or would reasonably be expected to lead to, a proposal or offer for a merger, consolidation, sale of substantial assets, sale of shares of capital stock (including without limitation by way of a tender offer) or similar transaction involving the Company, other than the transactions contemplated by this Agreement.

Action means any civil, criminal or administrative action, claim, lawsuit, litigation, proceeding, labor dispute, arbitration, governmental audit, inquiry, investigation or unfair labor practice, charge or complaint, whether at law, in equity, or otherwise.

Affiliate means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of, or 10% or more of the common equity of, such Person, (b) each Person that controls, is controlled by or is under common control with, such Person or any Affiliate of such Person, and (c) each of such Person's officers, directors, joint venturers and partners. For the purpose of this definition, "control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

Agreement means this Agreement and Plan of Merger dated as of January 18, 2000.

Balance Sheet means the consolidated balance sheet of the Company as at September 30, 1999, including any notes thereto.

Benefit Plans is defined in Section 4.16(a).

Bylaws is defined in Section 4.1.

Cap is defined in Section 7.1.2.

CERCLA means the Comprehensive Environmental Response, Compensation and Liability Act, as amended from time to time.

Certificates is defined in Section 3.5.2.

Certificate of Incorporation is defined in Section 4.1.

Code means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

Company is defined in the Introduction.

Company's Board means, the Board of Directors of the Company, as constituted from time to time.

Company Material Contract is defined in Section 4.8.

Confidential Information is defined in the Confidentiality Agreement.

Confidentiality Agreement means the Confidentiality Agreement between Purchaser and the Company.

DGCL is defined in the Background.

Disclosure Schedule is defined in Section 4

Dissenting Shares is defined in Section 3.4.

Effective Time means time of the filing of the Merger Certificate with the Secretary of State of Delaware.

Environmental and Safety Requirements means all Laws, all contractual obligations and all common law, concerning public health and safety, pollution or protection of the environment (including, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, Release, threatened Release, control or cleanup of any Hazardous Materials, noise or radiation).

Equity Derivative means any subscription, option, warrant, call, convertible or exchangeable security, or other commitment, agreement or right, whether or not presently exercisable, giving any Person the right to receive any equity securities from the Company.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Financing means all amounts necessary to pay the Merger Consideration pursuant to this Agreement, the amounts necessary to cancel the Equity Derivatives as contemplated by this Agreement, and all fees, costs and expenses incurred by Purchaser in connection with the consummation of the Transactions.

Funds is defined in Section 3.5.1.

GAAP means generally accepted accounting principles in the United States as in effect from time to time, as consistently applied by the Company in the preparation of its audited financial statements referred to in Section 4.5.2.

Government Entity means the United States of America or any other nation, any state, province or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government, including any Tribunal.

Group has the meaning given such term in Section 13(d)(3) of the Exchange Act.

Hazardous Materials means anything that is a "hazardous substance" pursuant to CERCLA, anything that is a "hazardous waste" or "solid waste" pursuant to RCRA, and any other pollutant, contaminant, toxic chemical, petroleum product or by-product, asbestos or polychlorinated biphenyl.

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

Indemnified Party is defined in Section 7.1.1.

Insurance Policies means the insurance policies set forth on the Disclosure Schedule.

IRS means the United States Internal Revenue Service.

Knowledge means, with respect to a Person other than a natural Person, the actual knowledge, after due inquiry, of any of the following officers of such Person, as applicable: (a) the Chief Executive Officer; (b) the Chief Financial Officer; and (c) the Executive Vice President, and, with respect to a natural person, Knowledge means the actual knowledge of such person after due inquiry.

Laws means all statutes, laws, ordinances, regulations, rules, orders, judgments, writs, injunctions, acts or decrees of any Government Entity.

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including any conditional sale or other title retention agreement, any lease in the nature thereof and including any lien or charge arising by Law, that secures the payment of a debt (including any Tax) or the performance of an obligation. Liens do not include (a) any encumbrance arising, expressly created by contracts that are listed in the Disclosure Schedule; (b) liens for Taxes, assessments, governmental charges or levies not due or payable as of the Effective Time; (c) material men's, mechanics', carriers', warehousemen's, landlords', workmen's, repairmen's, employees' or other similar liens arising in the ordinary course of business; (d) any restrictions on transfer imposed by applicable Law; or (e) any imperfections of title, liens, security interest, claims, and other charges and encumbrances the existence of which do not, individually or in the aggregate, have a Material Adverse Effect on the Company.

Material Adverse Effect means, with respect to any Person, a material adverse effect in the business, assets, operations, condition (financial or otherwise), results of operations, properties, earnings, customer and supplier relations (including co-packers), or contractual rights, considered as a whole, or employee or sales representative relations, considered as a whole, of such Person and its subsidiaries. For purposes of this Agreement, a Material Adverse Effect does not include a material adverse effect on the business, financial condition, results of operations or properties of such Person as a result of: (a) the transactions contemplated hereby or the public announcement hereof; or (b) changes that are generally consistent with or caused by general economic conditions or general changes affecting the food business.

Merger Certificate means a duly executed and verified certificate of merger or certificate of ownership and merger as permitted or required by applicable Law.

Merger is defined in the Background.

Merger Consideration means the total amount that a stockholder is entitled to receive for such stockholders Shares in the Merger equal to the result of multiplying the Per Share Price times the aggregate number of Shares represented by Certificates submitted by such Stockholder pursuant to Section 3.5, without any interest.

Merger Sub is defined in the Introduction.

Minimum Condition means that there must have been validly tendered in accordance with the terms of the Offer, before the expiration date of the Offer, and not withdrawn, a number of Shares that, together with the Shares then owned by Parent or Merger Sub, represents more than 50% of the Shares outstanding.

Multi-Employer Plan means a "multi-employer plan" as defined in Section 3(37) of ERISA.

NASDAQ means the National Association of Securities Dealers Automated Quotation/National Market.

Offer Documents is defined in Section 2.1.3.

Offer is defined in the Background.

Paying Agent is defined in Section 3.5.1.

Per Share Amount is defined in the Background, and includes such higher amount as may be paid in the Offer.

Person means an individual, a corporation (including any non-profit corporation), a partnership, a limited liability company, a joint venture, an association, a trust, an unincorporated association or any other entity or organization, including a Government Entity.

Proxy Statement means the proxy statement with respect to the Special Meeting filed pursuant to Regulation 14A under the Exchange Act or, if proxies are not solicited in connection with the Special Meeting, the Information Statement distributed to Stockholders under Regulation 14C under the Exchange Act.

Purchaser is defined in the Introduction.

RCRA means Resource Conservation and Recovery Act, as amended from time to time.

Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, depositing, injecting, escaping, leaching, migrating, duping or disposing of any Hazardous Materials into the environment.

Schedule 14D-1 is defined in Section 2.1.3.

Schedule 14D-9 is defined in Section 2.2.2.

SEC Filings is defined in Section 4.5.1.

SEC means the Securities and Exchange Commission.

Shares is defined in the Background.

Special Meeting means the special meeting of the stockholders of the Company called for the purpose of approving and adopting this Agreement and approving the Merger and the other transactions contemplated hereby.

SSB is defined in Section 4.4.3.

Subsidiary means any Person more than 50% of whose outstanding voting securities are directly or indirectly owned by the Company. For purposes hereof, the Company will be deemed to have a majority ownership interest in a partnership, association or other business entity if the Company is in the operative documents allocated a majority of partnership, association or other business entity gains or losses or is in control the managing director or general partner of such partnership, association or other business entity.

Superior Proposal is defined in Section 6.6.

Support Agreements is defined in background.

Surviving Corporation means the Company as the surviving corporation following the Merger.

Tax Authority means the IRS and any other domestic or foreign Government Entity responsible for the administration of any Taxes.

Tax means any federal, state, local, provincial, or foreign income, gross receipts, license, payroll, employment, excise, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, unemployment, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, or other Tax, fee, assessment or charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Tax Returns means all federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns (including any amendments thereto) relating to Taxes.

Third Party means any Person, entity or Group, other than Purchaser, Merger Sub, the Company or any of their respective Affiliates.

Transactions is defined in the Background.

Tribunal means any government, arbitration panel, court or governmental department, commission, board, bureau, agency or instrumentality of the United States of America, Canada or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village, municipality or other governmental entity, whether now or hereafter constituted and/or existing.

EXHIBIT B

Conditions of the Offer  
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Notwithstanding any other provision of the Offer, Purchaser and Merger Sub will not be required to accept for payment of or pay for any Shares, and may terminate or extend the Offer (subject to the provisions of the Agreement) because:

1. the Minimum Condition (as defined in the Agreement) has not been satisfied or waived pursuant to the Agreement by the scheduled expiration date;
2. any applicable waiting period under the HSR Act has not expired or been terminated before the expiration of the Offer;
3. there shall have occurred, and continued to exist, (i) a declaration of a general banking moratorium or any general suspension of payments in respect of banks in the United States, (ii) a commencement of a war, armed hostilities or other national or international crisis directly or indirectly involving the United States, (iii) any limitation by any Governmental Entity on, or any other event which materially and adversely affects, the extension of credit by banks or other lending institutions in the United States, or (iv) in the case of any of the foregoing clauses (i) through (iii) existing at the time of the commencement of the Offer, a material acceleration or worsening thereof (but in each case, other than any occurrence, acceleration or worsening which does not (A) have a Material Adverse Effect on the Company or (B) have a Material Adverse Effect on the ability of Purchaser to acquire the Shares);
4. at any time on or after the date of the Agreement, and before the expiration of the Offer, any of the following conditions exist:

(a)

(i) the Company has breached, or failed to comply with, any of its obligations under the Agreement where such breach or failure to comply would have a Material Adverse Effect on the Company; or

(ii) any representation or warranty of the Company in the Agreement that is qualified as to materiality was incorrect when made or has since ceased to be true and correct or any representation or warranty that is not so qualified was incorrect in any material respect when made or has since ceased to be true and correct in all material respects (in each case, except for such representations and warranties made as of a specific date, which must be true and correct as of such date);

and

(iii) which breach in either clause (i) or (ii) has not been cured before the earlier of (A) fifteen days following notice of such breach and (B) two business days before the date on which the Offer expires;

(b) there has been any Action commenced by or before any federal, state or local court or Government Entity or other regulatory body, or threatened by any court or federal, state or local Governmental Entity, that has a reasonable likelihood of success and that, if decided adversely to the Company, would reasonably be expected to have a Material Adverse Effect on the Company or, if decided adversely to Purchaser, would have the effect of:

(i) making the purchase of, or payment for, some or all of the Shares pursuant to the Offer or the Merger or otherwise, illegal, or resulting in a material delay in the ability of Purchaser or Merger Sub to accept for payment or pay for some or all of the Shares,

(ii) seeking to prohibit Purchaser's or Merger Sub's ownership or operation of all or any material portion of the Company's business or assets, or to compel Purchaser or Merger Sub to dispose of or hold separately all or any material portion of the Company's or Purchaser's business or assets,

(iii) otherwise preventing consummation of the Offer or the Merger,

(iv) imposing limitations on the ability of Purchaser or Merger Sub effectively (A) to acquire, hold or operate the business of the Company taken as a whole or (B) to exercise full rights of ownership of the Shares acquired by it, including, but not limited to, the right to vote the Shares purchased by it on all matters properly presented to the stockholders of the Company, which, in either case, would effect a material diminution in the value of the Company or the Shares or Purchaser's or Merger Sub's control of the Company;

(c) the Agreement has been terminated in accordance with its terms, or Purchaser or Merger Sub has reached an agreement or understanding in writing with the Company providing for termination or amendment of the Offer;

(d) any Person or Group, other than Purchaser, Merger Sub or any of their affiliates has (i) become the beneficial owner of fifty percent or more of the outstanding Shares or (ii) entered into a definitive agreement or an agreement in principle with the Company with respect to an Acquisition Proposal; or

(e) the Company's Board has publicly (including by amendment of its Schedule 14D-9) withdrawn or adversely modified its recommendation of

acceptance of the Offer or has resolved to do so or publicly stated its intention to do so.

Except as expressly set forth in the Agreement, the foregoing conditions are for the sole benefit of Purchaser and Merger Sub and may be asserted by Purchaser or Merger Sub regardless of the circumstances giving rise to any such condition and, subject to the terms of the Agreement, may be waived by Purchaser or Merger Sub, in whole or in part, at any time and from time to time, in the sole discretion of Purchaser or Merger Sub.

SUPPORT AGREEMENT

SUPPORT AGREEMENT (this "Agreement"), dated as of January 21, 2000 by and between Kraft Foods, Inc., a Delaware corporation ("Purchaser"), and the person or entity named on the signature page of this Agreement ("Seller").

WHEREAS, concurrently herewith, Purchaser, BB Acquisition, Inc., a Delaware corporation and a subsidiary of Purchaser ("Merger Sub"), and Balance Bar Company, a Delaware corporation (the "Company"), are entering into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement"). Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement;

WHEREAS, pursuant to the Merger Agreement, the Purchaser has agreed to make a tender offer (the "Offer") for all outstanding shares of common stock, par value \$.01 per share (the "Shares"), of the Company, at \$19.40 per share net to the seller in cash, to be followed by a merger (the "Merger") of the Merger Sub with and into the Company;

WHEREAS, as of the date hereof, Seller is the beneficial owner of the number of Shares listed on the signature page to this Agreement (the "Owned Shares"); and

WHEREAS, as a condition to their willingness to enter into the Merger Agreement and make the Offer, Purchaser and the Merger Sub have required that Seller agree, and Seller hereby agrees, (i) to tender pursuant to the Offer the Owned Shares, together with any Shares acquired after the date hereof and prior to the termination of the Offer, whether upon the exercise of options, conversion of convertible securities or otherwise (collectively with the Owned Shares, the "Tender Shares") on the terms and subject to the conditions provided for in this Agreement and (ii) to enter into the other agreements set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration given to each party hereto, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Agreement to Tender and Vote.

1.1 Tender. Seller hereby agrees to tender (or cause the record

owner of such shares to validly tender), pursuant to and in accordance with the terms of the Offer, as soon as practicable after commencement of the Offer but in no event later than five business days after the date of commencement of the Offer, the Tender Shares by physical delivery of the certificates therefor and to not withdraw such Tender Shares, except following termination of this Agreement pursuant to Section 2 hereof. Seller hereby acknowledges and agrees that Purchaser's and Merger Sub's obligation to accept for payment and pay for the Tender Shares is subject to the terms and conditions of the Offer. Seller hereby permits Purchaser and Merger Sub to publish and disclose in the Offer Documents and, if approval of the Company's stockholders is requested under applicable law, the Proxy Statement (including all documents and schedules filed with the Securities and Exchange Commission) the Seller's identity and

ownership of the Tender Shares and the nature of the Seller's commitments, arrangements and understandings under this Agreement. In addition, Seller hereby agrees that, if Purchaser shall so request, Seller shall as promptly as practicable following such request, and in any event prior to the termination of the Offer, take all action and do all things that are necessary in order to (i) exercise all options to purchase common stock of the Company held by Seller that are then exercisable and (ii) tender all shares obtained upon exercise of such options as Tender Shares hereunder.

1.2 Voting. Seller hereby agrees that, until the Expiration Date (as

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defined below), at any meeting of the shareholders of the Company, however called (or in any written consent in lieu thereof), Seller shall (a) vote the Tender Shares in favor of the Merger (b) vote the Tender Shares against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement; and (c) vote the Tender Shares against any action or agreement (other than the Merger Agreement or the transactions contemplated thereby) that would impede, interfere with, delay, postpone or attempt to discourage the Merger or the Offer, including, but not limited to: (i) any extraordinary corporate transaction, such as a merger, consolidation or other business combination involving the Company or any of its subsidiaries; (ii) a sale or transfer of any assets of the Company (other than as permitted in the Merger Agreement) or any of its subsidiaries or a reorganization, recapitalization or liquidation of the Company and its subsidiaries; (iii) any change in the management or board of directors of the Company, except as otherwise agreed to in writing by the Purchaser; (iv) any change in the present capitalization or dividend policy of the Company (other than as permitted in the Merger Agreement); or (v) any other change in the Company's corporate structure or business (other than as permitted in the Merger Agreement). In order to facilitate the commitment of the Seller provided above, the Seller hereby grants to Purchaser a proxy to vote all Tender Shares with respect to all matters on which the Tender Shares are entitled to vote at all times from the execution of this Agreement through the Expiration Date (as defined below). Seller agrees that this proxy shall be irrevocable during the term of this Agreement and is coupled with an interest. Each of Seller and Purchaser agrees to take such further action and to execute such other documentation or instruments as may be necessary to effectuate the intent of this proxy. Seller hereby revokes any proxy previously granted by him with respect to the Tender Shares.

1.3 No Inconsistent Arrangements. Seller hereby covenants and agrees

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that, except as contemplated by this Agreement it shall not (i) transfer (which term shall include, without limitation, any sale, gift, pledge or other disposition), or consent to any transfer of, any or all of the Tender Shares or any interest therein, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer of any or all of the Tender Shares or any interest therein, (iii) grant any proxy, power-of-attorney or other authorization in or with respect to the Tender Shares, (iv) deposit the Tender Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Tender Shares or (v) take any other action that would in any way restrict, limit or interfere with the performance of Seller's obligations hereunder or the transactions contemplated hereby or by the Merger Agreement or which would make any representation or warranty of Seller hereunder untrue or incorrect; provided that Seller may transfer the Tender Shares to one or more affiliates or one or more members of Seller's immediate family, or a trust, the sole beneficiaries of which are members of Seller's immediate family, if any such transferee agrees in writing (in form and substance reasonably satisfactory to Purchaser) to be bound by the terms of this Agreement.

1.4 No Solicitation. During the term of this Agreement, Seller shall

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comply with the provisions of Sections 6.6(a)-(c) (without giving effect to the proviso thereto) and 6.6.1 of the Merger Agreement as though such provisions by their terms applied to Seller and his affiliates and advisors.

1.5 Reasonable Efforts. Subject to the terms and conditions of this

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Agreement, Seller hereby agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement and the Merger Agreement. Seller shall promptly consult with Purchaser and provide any necessary information and material with respect to all filings made by Seller with any Government Entity in connection with this Agreement and Merger Agreement and the transactions contemplated hereby and thereby.

1.6 Waiver of Appraisal Rights. Seller hereby waives any rights of

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appraisal or rights to dissent from the Merger that he may have.

1.7 Seller's Capacity. Seller makes no agreement or understanding

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hereby in his capacity as a director or officer of the Company. Seller enters into this Agreement solely in his capacity as the owner of the Owned Shares, and the covenants and agreements set forth herein shall in no way restrict Seller in the exercise of his fiduciary duties as a director or officer of the Company.

2. Expiration. This Agreement and Seller's obligation to tender and

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vote the Tender Shares as provided herein shall terminate on the Expiration Date. As used herein, the term "Expiration Date" means the first to occur of (a) the Effective Time, (b) termination or withdrawal of the Offer by Purchaser or the Merger Sub, and (c) written notice of termination of this Agreement by Purchaser to Seller.

3. Representations and Warranties. Seller hereby represents and

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warrants to Purchaser as follows:

(a) Title. Seller has good and valid title to the Tender Shares,

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free and clear of any lien, pledge, charge, encumbrance or claim of whatever nature (excluding any encumbrances arising out of applicable federal or state securities law), provided however, as to 790,578 Tender Shares Seller has pledged such Tender Shares to Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") to secure a margin loan. Seller has not in any manner impaired Seller's right to cause the Tender Shares to be tendered pursuant to the Offer and will, promptly following execution of this Agreement, give appropriate instructions to DLJ to tender such Tender Shares in a timely manner. Seller hereby represents and warrants that the aggregate amount of margin loans referenced above does not exceed \$1,600,000 on the date hereof and Seller covenants that he will not take any action to increase the amount of such margin loan (other than the normal accrual of interest thereon) or, other than to tender the Tender Shares pursuant to the Offer, take any action to reduce the value of securities in the referenced account if such action would increase the risk of any margin call with respect to

the margin loan. Upon the purchase of the Tender Shares, Purchaser will acquire good and valid title to the Tender Shares, free and clear of any lien, charge, encumbrance or claim of whatever nature (excluding any encumbrances arising out of applicable federal or state securities law).

(b) Ownership of Shares. On the date hereof, the Owned Shares

are owned of record or beneficially by Seller and, on the date hereof, the Owned Shares constitute all of the Shares owned of record or beneficially by Seller. Seller has sole voting power and sole power of disposition with respect to all of the Owned Shares, with no restrictions, subject to applicable federal and state securities laws, on Seller's rights of disposition pertaining thereto.

(c) Power; Binding Agreement. Seller has the legal capacity,

power and authority to enter into and perform all of Seller's obligations under this Agreement. If Seller is not a natural person, this Agreement and the transactions contemplated hereby have been duly authorized by all necessary action of Seller, its governing body and its security holders, in each case, to the extent required, and no other proceeding on its part is necessary to authorize the execution, delivery or performance of this Agreement by Seller. The execution, delivery and performance of this Agreement by Seller will not violate any other agreement to which Seller is a party including, without limitation, any voting agreement, stockholders agreement or voting trust. This Agreement has been duly and validly executed and delivered by Seller and constitutes a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

(d) No Conflicts. Other than in connection with or in compliance

with the provisions of the Exchange Act and the HSR Act, no authorization, consent or approval of, or filing with, any court or any public body or authority is necessary for the consummation by Seller of the transactions contemplated by this Agreement.

4. Additional Shares. Seller hereby agrees, while this Agreement

is in effect, to promptly notify Purchaser of the number of any new Shares acquired by Seller, if any, after the date hereof.

5. Miscellaneous.

5.1 Non-Survival. The representations and warranties made herein

shall terminate upon Seller's sale of the Tender Shares to the Purchaser in the Offer, other than Seller's representation and warranty in Section 3(a), which shall survive the sale of the Tender Shares and the termination of this Agreement following such sale.

5.2 Entire Agreement; Assignment. This Agreement (i) constitutes the

entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and (ii) shall not be assigned by operation of law or otherwise, provided that Purchaser may assign its rights and obligations hereunder to any direct or indirect wholly-

owned subsidiary of Purchaser, but no such assignment shall relieve Purchaser of its obligations hereunder if such assignee does not perform such obligations.

5.3 Amendments. This Agreement may not be modified, amended, altered

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or supplemented, except upon the execution and delivery of a written agreement executed by the parties hereto.

5.4 Notices. All notices, requests, claims, demands and other

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communications hereunder shall be in writing and shall be given by hand delivery, telegram, telex or telecopy or by any courier service, such as Federal Express, providing proof of delivery. All communications hereunder shall be delivered to the respective parties at the following addresses:

If to Seller: In accordance with the notice instructions set forth on the signature page to this Agreement

If to Purchaser:

Kraft Foods, Inc.  
Three Lakes Drive  
Northfield, IL 60093  
Fax: (847) 646-7081  
Attention: William Eichar  
Theodore Banks

copy to:

Kirkland & Ellis  
200 East Randolph Drive  
Chicago, IL 60601  
Fax: (312) 861-2200  
Attention: Michael Timmers

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

5.5 Governing Law. This Agreement shall be governed by and construed

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in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Specific Performance. Seller recognizes and acknowledges that a

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breach by him of any covenants or agreements contained in this Agreement will cause Purchaser to sustain damages for which it would not have an adequate remedy at law for money damages, and therefore Seller agrees that in the event of any such breach Purchaser shall be entitled to the remedy of specific performance of such covenants and agreements and injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity.

5.7 Counterparts. This Agreement may be executed in two

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counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same Agreement.

5.8 Descriptive Headings. The descriptive headings used herein are

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inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

5.9 Severability. Whenever possible, each provision or portion of

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any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

IN WITNESS WHEREOF, Purchaser and Seller have caused this Agreement to be duly executed as of the day and year first above written.

KRAFT FOODS, INC.

By: \_\_\_\_\_  
Name:  
Title:

[SELLER]

\_\_\_\_\_  
[Name]

Address for notice:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facsimile: \_\_\_\_\_