

HAIN CELESTIAL GROUP INC
Form S-4/A
November 10, 2005
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As filed with the Securities and Exchange Commission on November 10, 2005

Registration No. 333-128454

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

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

THE HAIN CELESTIAL GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2099
(Primary Standard Industrial
Classification Code Number)

22-3240619
(I.R.S. Employer
Identification Number)

58 South Service Road
Melville, NY 11747
(631) 730-2200

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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Irwin D. Simon

Chairman of the Board,

President and Chief Executive Officer

58 South Service Road

Melville, NY 11747

(631) 730-2200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the merger agreement described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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5341 Old Redwood Highway, Suite 400

Petaluma, California 94954

To the Shareholders of Spectrum Organic Products, Inc.:

You are cordially invited to attend a special meeting of Spectrum Organic Products, Inc. shareholders, to be held on December 15, 2005 at 9:00 a.m., local time, at the principal executive offices of Spectrum located at 5341 Old Redwood Highway, Suite 400, Petaluma, California 94954.

At the special meeting you will be asked to consider and vote upon a proposal to approve the principal terms of a merger agreement among Spectrum, The Hain Celestial Group, Inc. and Spectrum Organic Products, LLC, a wholly owned subsidiary of Hain. If the principal terms of the merger are approved by the shareholders of Spectrum and the other conditions to the transaction are satisfied or waived, Spectrum will merge with and into Spectrum Organic Products, LLC and each outstanding share of Spectrum common stock will be converted into the right to receive a combination of cash in the amount of \$0.355, less the fully-diluted per share portion of any Excess Company Expenses (as defined herein), and shares of Hain common stock (valued as described herein) worth \$0.355, with cash in lieu of any fractional shares of Hain common stock. Hain common stock is quoted on The Nasdaq National Market under the symbol HAIN, and closed at \$20.59 per share on November 4, 2005.

You may vote at the special meeting if you owned shares of Spectrum common stock as of the close of business on November 4, 2005, the record date for the special meeting.

After careful consideration, Spectrum's board of directors has determined that the proposed transaction with Hain is in the best interest of Spectrum shareholders and that the merger agreement and the merger are advisable and fair to Spectrum and its shareholders. Therefore, Spectrum's board of directors recommends that Spectrum shareholders vote **FOR** approval of the principal terms of the merger.

The proxy statement/prospectus attached to this letter provides you with detailed information about Hain, Spectrum and the proposed merger. In addition, you may obtain other information about Hain and Spectrum from documents filed with the Securities and Exchange Commission. We encourage you to read the entire proxy statement/prospectus carefully. In particular, you should carefully consider the discussion in the section entitled Risk Factors, beginning on page 13.

Your vote is very important. The merger cannot be completed unless shareholders holding a majority of the outstanding shares of Spectrum common stock approve the principal terms of the merger. Whether or not you plan to attend the special meeting, if you are a holder of Spectrum common stock, please take the time to vote by completing and mailing the enclosed proxy card as described in the instructions accompanying the enclosed proxy card.

Jethren P. Phillips

Chairman of the Board

Spectrum Organic Products, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction or the Hain common stock to be issued in the merger or determined whether this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated November 10, 2005, and is first being mailed to Spectrum shareholders on or about November 16, 2005.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities described in this proxy statement/prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction.

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5341 Old Redwood Hwy, Suite 400

Petaluma, California 94954

NOTICE OF SPECIAL MEETING OF SPECTRUM SHAREHOLDERS

TO BE HELD ON DECEMBER 15, 2005

To the Shareholders of Spectrum Organic Products, Inc.:

On behalf of the board of directors of Spectrum Organic Products, Inc., a California corporation, we are pleased to deliver this proxy statement/prospectus for a special meeting of Spectrum shareholders to be held on December 15, 2005 at 9:00 a.m., local time, at the principal executive offices of Spectrum located at 5341 Old Redwood Highway, Suite 400, Petaluma, California 94954, for the following purposes:

1. To consider and vote upon the approval of the principal terms of the Agreement and Plan of Merger, dated as of August 23, 2005, by and among The Hain Celestial Group, Inc., a Delaware corporation, Spectrum and Spectrum Organic Products, LLC, a California limited liability company and a wholly owned subsidiary of Hain.
2. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The board of directors of Spectrum has fixed November 4, 2005 as the record date for the determination of shareholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Spectrum common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, Spectrum had outstanding and entitled to vote 46,444,693 shares of common stock.

A complete list of Spectrum shareholders entitled to vote at the special meeting will be available at the principal executive offices of Spectrum during regular business hours for a period of no less than ten days before the special meeting and at the special meeting.

Your vote is important. Whether you plan to attend the special meeting or not, please complete, date and sign the enclosed proxy card as soon as possible and return it in the postage-prepaid envelope provided. Completing a proxy now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote. However, if you do not return or submit the proxy or vote at the special meeting, the effect will be the same as a vote against the proposal to approve the principal terms of the merger.

Please do not send any certificates representing your Spectrum common stock at this time.

By Order of the Board of Directors,

Jethren P. Phillips

Chairman of the Board

Petaluma, California

November 10, 2005

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THIS PROXY STATEMENT/PROSPECTUS INCORPORATES ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about The Hain Celestial Group, Inc., or *Hain*, from documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon request. For a more detailed description of the information incorporated by reference into this proxy statement/prospectus and how you may obtain it, see *Where You Can Find More Information* on page 118.

You also may obtain any of the documents incorporated by reference into this proxy statement/prospectus from Hain, or from the Securities and Exchange Commission, or the *SEC*, through the SEC's Internet web site at www.sec.gov. Documents of Hain that are incorporated by reference and documents of Spectrum Organic Products, Inc., or *Spectrum*, also are available from Hain and Spectrum, without charge, excluding any exhibits to those documents that are not specifically incorporated by reference as an exhibit to this proxy statement/prospectus. Spectrum shareholders may request a copy of these documents in writing or by telephone by contacting the applicable department at:

The Hain Celestial Group, Inc.

58 South Service Road

Melville, New York 11747

Telephone: (631) 730-2200

Attn: Investor Relations

Spectrum Organic Products, Inc.

5341 Old Redwood Hwy, Suite 400

Petaluma, California 94954

Telephone: (707) 778-8900

Attn: Investor Relations

If you would like to request documents, please do so by December 9, 2005 to receive them before the special meeting.

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This document, which forms a part of a registration statement on Form S-4 filed with the SEC by Hain, constitutes a prospectus of Hain under Section 5 of the Securities Act of 1933, as amended, or the *Securities Act*, with respect to the shares of Hain common stock to be issued to Spectrum shareholders in connection with the merger. This document also constitutes a proxy statement under Section 14(a) of the Securities

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Exchange Act of 1934, as amended, or the *Exchange Act*, and the rules thereunder, and a notice of meeting with respect to the special meeting of Spectrum shareholders to consider and vote upon the proposal to approve the principal terms of the merger.

Except as otherwise provided herein, all descriptions of and calculations with respect to the terms of the merger agreement assume that no Spectrum shareholders exercise their right to dissenter's rights.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the merger? (see page 34)

A: Hain and Spectrum have entered into an Agreement and Plan of Merger, dated August 23, 2005, which is referred to in this proxy statement/prospectus as the *merger agreement*, that contains the terms and conditions of the proposed acquisition of Spectrum by Hain. Under the terms of the merger agreement, Spectrum will merge with and into a wholly owned subsidiary of Hain and each outstanding share of Spectrum common stock will be converted into the right to receive a combination of cash and shares of Hain common stock. For a more complete description of the merger, please see the section entitled *The Merger* on page 34 of this proxy statement/prospectus.

Q: As a Spectrum shareholder, what will I receive in the merger? (see page 34)

A: You will receive a combination of \$0.355 in cash, less the fully-diluted per share portion of any Excess Company Expenses (as defined herein), and shares of Hain common stock worth \$0.355, the combination of which is collectively referred to in this proxy statement/prospectus as the *merger consideration*, for each share of Spectrum common stock that you own, except that you will receive a cash payment in lieu of any fractional share of Hain common stock you would otherwise be entitled to receive. The Hain common stock will be valued based on the average closing sales price of Hain common stock for the ten consecutive business days during which Hain common stock is quoted on The Nasdaq National Market, or *Nasdaq*, beginning twelve such trading days prior to the date of the closing of the merger, which value is referred to in this proxy statement/prospectus as the *Ten Day Average*. In no event, however, will the Hain common stock be valued at a price higher than \$19.80 per share or less than \$17.424 per share. For example, if the merger closed on August 22, 2005 (the day prior to the first public announcement of the merger agreement) and you owned 1,000 shares of Spectrum common stock at the time the merger was completed, you would receive in exchange for your Spectrum shares \$355 in cash (less the fully-diluted per share portion of any Excess Company Expenses), 18 shares of Hain common stock and a cash payment equal to the value of 0.500 of a share of Hain common stock. The fully-diluted per share portion of Spectrum's estimate of the Excess Company Expenses would result in a reduction in the cash portion of the merger consideration of approximately \$0.005 per Spectrum share. In the example above, this would reduce the amount of cash that you would receive from \$355 to \$350.

The fraction of a share of Hain common stock that you will have the right to receive in the merger in exchange for each of your shares of Spectrum common stock is not a fixed ratio and will be adjusted based upon certain changes in the value of Hain common stock. As a result, the number of Hain shares you will receive in the merger will not be known before the completion of the merger and will go up or down as the market price of Hain common stock goes up or down. Since there is both a ceiling and a floor on the value of Hain common stock in determining the number of Hain shares you will be entitled to receive, the value of the aggregate merger consideration you will receive in the merger may go up or down if the value of Hain common stock rises above the maximum valuation of \$19.80 or falls below the minimum valuation of \$17.424 per share. You are encouraged to obtain current market quotations of Spectrum and Hain common stock.

Q: Why am I receiving this proxy statement/prospectus?

A: You are receiving this proxy statement/prospectus because you have been identified as a Spectrum shareholder as of November 4, 2005, the record date for the special meeting, and thus you are entitled to vote at the special meeting. This document serves as both a proxy statement of Spectrum, used to solicit proxies for the special meeting, and as a prospectus of Hain, used to offer shares of Hain common stock in exchange for shares of Spectrum common stock pursuant to the terms of the merger agreement. This document contains important information about the merger and the special meeting, and you should read it carefully.

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Q: What is required to consummate the merger?

A: To consummate the merger, Spectrum shareholders must approve the principal terms of the merger, which requires the affirmative vote of the holders of a majority of the voting power of the shares of Spectrum common stock outstanding on the record date for the special meeting. In addition to obtaining Spectrum shareholder approval, each of the other closing conditions set forth in the merger agreement must be satisfied or waived. For a more complete description of the closing conditions under the merger agreement, we urge you to read the section entitled "Certain Terms of the Merger Agreement Conditions to the Merger" on page 58 of this proxy statement/prospectus.

Q: Will the merger trigger the recognition of gain or loss for federal income tax purposes? (see page 47)

A: The merger has been structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the "Code," and it is a closing condition to the merger that Spectrum and Hain receive opinions of their respective counsel regarding such qualification. If the merger qualifies as a reorganization, Spectrum shareholders who exchange their Spectrum common stock for Hain common stock and cash will generally recognize gain, but not loss, realized in the merger (if any) but only to the extent such gain does not exceed the amount of cash received. Spectrum shareholders who exercise dissenters' rights will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis of the shares of Spectrum common stock exchanged.

Tax matters are very complicated, and the tax consequences of the merger to a particular shareholder will depend in part on such shareholder's circumstances. Accordingly, we urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

For more information, please see the section entitled "The Merger Material Federal Income Tax Consequences" on page 47 of this proxy statement/prospectus.

Q: How does Spectrum's board of directors recommend that I vote?

A: After careful consideration, Spectrum's board of directors unanimously recommends that Spectrum shareholders vote **FOR** the proposal to approve the principal terms of the merger.

Q: What risks should I consider in deciding whether to vote in favor of approval of the principal terms of the merger?

A: You should carefully review the section of this proxy statement/prospectus entitled "Risk Factors" beginning on page 13, which sets forth certain risks and uncertainties related to the merger, risks and uncertainties to which the combined company's business will be subject and risks and uncertainties to which each of Hain and Spectrum, as an independent company, is subject.

Q: What do I need to do now?

A: You should read this proxy statement/prospectus carefully, including its annexes and the documents incorporated by reference, and consider how the merger will affect you. You should then complete, sign and mail your proxy card in the enclosed return envelope as soon as possible as described in this proxy statement/prospectus, so that your shares can be voted at the special meeting.

Q: What happens if I do not return a proxy card or otherwise provide proxy instructions?

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A: The failure to return your proxy card or vote in person will have the same effect as voting **AGAINST** approval of the principal terms of the merger.

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Q: What happens if I return a signed and dated proxy card but do not indicate how to vote my proxy?

A: If you do not include instructions on how to vote your properly signed and dated proxy, your shares will be voted **FOR** approval of the principal terms of the merger.

Q: May I vote in person?

A: If your shares of Spectrum common stock are registered directly in your name with Spectrum's transfer agent, you are considered, with respect to those shares, the shareholder of record, and the proxy materials and proxy card are being sent directly to you by Spectrum. If you are a Spectrum shareholder of record, you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or otherwise providing proxy instructions.

If your shares of Spectrum common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting. Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the special meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the special meeting.

Q: May I change my vote after I have mailed my signed and dated proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice stating that you would like to revoke your proxy. Second, you can complete, date and submit a new proxy card. Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker. The failure to provide such voting instructions to your broker will have the same effect as voting **AGAINST** approval of the principal terms of the merger.

Q: Are there any shareholders already committed to voting in favor of the merger? (see page 62)

A: Yes. Jethren Phillips, the Chairman of the board of directors of Spectrum, has agreed to vote Spectrum shares representing 40% of the shares entitled to vote at the special meeting of Spectrum shareholders in favor of approval of the principal terms of the merger. Mr. Phillips beneficially owns approximately 53% of the outstanding shares of Spectrum common stock.

Q: Should I send in my Spectrum stock certificates now?

A: No. If you are a Spectrum shareholder, after the merger is completed, you will receive written instructions for exchanging the certificates representing your shares of Spectrum common stock for the cash consideration, certificates representing shares of Hain common stock and a cash payment in lieu of any fractional share of Hain common stock you would otherwise be entitled to receive.

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Q: When do the parties expect to complete the merger? (see page 58)

A: The parties are working towards completing the merger as quickly as possible and hope to do so promptly after the special meeting, subject to satisfaction or waiver of all conditions to closing. Each of Hain and Spectrum have the ability to delay the closing, or to not close, if specified percentages of shareholders have exercised dissenters' rights after the shareholder vote.

Q: Will my rights as a Spectrum shareholder change as a result of the merger? (see page 114)

A: Yes. While your shareholder rights as a former Spectrum shareholder will continue to be governed by California law, you will become a Hain stockholder as a result of the merger and will have rights after the completion of the merger that are governed by Delaware law and Hain's amended and restated certificate of incorporation and amended and restated bylaws.

Q: Am I entitled to dissenters' rights to demand a payment in cash for any shares of Spectrum common stock?

A: As a Spectrum shareholder, under applicable California law, you may be entitled to assert dissenters' rights and receive a cash payment for the fair value of your shares, but only if you comply with all requirements of California law as set forth in *Annex G* to this proxy statement/prospectus. If you and Spectrum agree upon the fair value of your dissenting shares, you will be entitled to a cash payment with interest thereon from Spectrum within 30 days after such agreement. If you and Spectrum cannot agree upon a price, pursuant to your dissenters' rights under California law, you may be entitled to seek a determination by a California court of the fair value of your shares. The fair value determined by the court may be more than, less than or equal to the value of the consideration to be paid in the merger. For a more complete description of your dissenters' rights, see the section entitled "The Merger - Rights of Dissenting Spectrum Shareholders" beginning on page 49 of this proxy statement/prospectus.

Q: What will happen to any options or warrants to acquire Spectrum common stock? (see page 53)

A: The merger agreement provides that at the effective time of the merger each Spectrum stock option or warrant that is outstanding and unexercised immediately prior to the effective time will be converted into the right to receive the excess, if any, of the merger consideration over the per share exercise or purchase price of the applicable Spectrum stock option or warrant. Such amounts will be paid in the form of merger consideration, subject to the payment of cash in lieu of fractional Hain shares, and the stock option consideration will be reduced (first from the cash portion, then from the stock portion) by certain amounts required to be withheld under tax or other laws.

Q: Will I be able to immediately transfer the shares of Hain common stock I receive in the merger? (see page 49)

A: Hain stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for Hain stock issued to any Spectrum shareholder who may be deemed an affiliate of Spectrum.

Q: Who is paying for this proxy solicitation?

A: Spectrum is conducting this proxy solicitation and will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement/prospectus, the proxy card and any additional information furnished to Spectrum shareholders. Spectrum has retained Georgeson Shareholder

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Communications to aid in Spectrum's proxy solicitation process. Spectrum estimates that its proxy solicitor fees will be approximately \$17,500 plus reasonable out-of-pocket expenses. Spectrum may reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners. The original solicitation of proxies by mail may be supplemented by telephone or personal solicitation by directors, officers or other employees of Spectrum. No additional compensation will be paid to Spectrum directors, officers or other employees for such services.

Q: Who can help answer my additional questions?

A: Spectrum shareholders who would like additional copies, without charge, of this proxy statement/prospectus or have additional questions about the merger, including the procedures for voting their shares of Spectrum common stock, should contact:

Spectrum Organic Products, Inc.

5341 Old Redwood Highway, Suite 400

Petaluma, CA 94954

(707) 778-8900

Attention: Investor Relations

or Spectrum's solicitation agent:

Georgeson Shareholder Communications

17 State Street, 10th Floor

New York, NY 10004

(888) 293-6908

If your broker holds your shares, you should also contact your broker for additional information.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus, and you should read carefully this entire proxy statement/prospectus and the documents referred to in this proxy statement/prospectus for a more complete description of the terms of the merger and related transactions. The merger agreement is attached as *Annex A* to this proxy statement/prospectus and additional documents relating to the transaction are also attached, or incorporated by reference, to this proxy statement/prospectus. You are encouraged to read the merger agreement as it is the legal document that governs the merger, as well as these additional documents. In addition, you are encouraged to read the information under **Risk Factors**, beginning on page 13 of this proxy statement/prospectus, for a discussion of important factors you should consider in connection with the merger. Unless otherwise indicated, the information contained in this proxy statement/prospectus does not assume the exercise of a right to purchase shares of Hain common stock granted by Hain to an affiliate of H.J. Heinz Company, or *Heinz*, as described under **The Merger Right to Purchase Shares of Hain Common Stock by an Affiliate of H.J. Heinz Company**. In this proxy statement/prospectus, unless the context otherwise requires, *Hain* refers to The Hain Celestial Group, Inc. and its subsidiaries, *Spectrum* refers to Spectrum Organic Products, Inc., and *Merger Sub* refers to Spectrum Organic Products, LLC, a wholly owned subsidiary of Hain. This section includes page references in parentheses to direct you to a more complete description of the topics presented in this summary.

The Companies (see page 30)

The Hain Celestial Group, Inc.

58 South Service Road

Melville, NY 11747

(631) 730-2200

Hain manufactures, markets, distributes and sells natural and organic food products and natural personal care products under brand names which are sold as **better-for-you** products.

Spectrum Organic Products, Inc.

5341 Old Redwood Highway, Suite 400

Petaluma, CA 94954

(707) 778-8900

Spectrum competes primarily in three business segments: natural and organic foods, essential fatty acid nutritional supplements, and industrial ingredients for use by other manufacturers. The vast majority of Spectrum's products are oil-based and Spectrum has positioned itself as **The Good Fats Company**.

Spectrum Organic Products, LLC

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c/o The Hain Celestial Group, Inc.

58 South Service Road

Melville, NY 11747

(631) 730-2200

Merger Sub is a California limited liability company and a wholly owned subsidiary of Hain that has been formed for the purpose of facilitating the merger. Merger Sub will be the surviving entity after the merger.

The Merger

Merger Structure; Merger Consideration (see page 34)

If the merger is completed, Spectrum will merge with and into Merger Sub. Upon completion of the merger, you will become entitled to receive a combination of \$0.355 in cash, less the fully-diluted per share

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portion of any Excess Company Expenses (as defined herein), and shares of Hain common stock worth \$0.355, the combination of which is collectively referred to in this proxy statement/prospectus as the *merger consideration*, in exchange for each share of Spectrum common stock that you own at the time of the completion of the merger, except that you will receive cash in lieu of any fractional share of Hain common stock you would otherwise be entitled to receive. The Hain common stock will be valued based on the average closing sales price of Hain common stock for the ten consecutive business days during which Hain common stock is quoted on Nasdaq, beginning twelve such trading days prior to the date of the closing of the merger. In no event, however, will the Hain common stock be valued at a price higher than \$19.80 per share or less than \$17.424 per share. The fully-diluted per share portion of Spectrum's estimate of the Excess Company Expenses would result in a reduction in the cash portion of the merger consideration of approximately \$0.005 per Spectrum share.

The fraction of a share of Hain common stock that you will have the right to receive in the merger in exchange for each of your shares of Spectrum common stock is not a fixed ratio and will be adjusted based upon changes in the value of Hain common stock. As a result, the number of Hain shares you will receive in the merger will not be known before the completion of the merger and will go up or down as the market price of Hain common stock goes up or down. Since there is both a ceiling and a floor on the value of Hain common stock in determining the number of Hain shares you will be entitled to receive, the value of the aggregate merger consideration you will receive in the merger may go up or down if the value of Hain common stock rises above the maximum valuation of \$19.80 or falls below the minimum valuation of \$17.424 per share. Neither Spectrum nor Hain has the right to terminate the merger agreement or renegotiate the merger consideration solely as a result of market price fluctuations. You are encouraged to obtain current market quotations of Hain and Spectrum common stock.

Treatment of Stock Options and Warrants (see page 53)

The merger agreement provides that at the effective time of the merger each Spectrum stock option or warrant that is outstanding and unexercised immediately prior to the effective time will be converted in to the right to receive the excess, if any, of the merger consideration over the per share exercise or purchase price of the applicable Spectrum stock option or warrant. Such amounts will be paid in the form of merger consideration, subject to the payment of cash in lieu of fractional Hain shares, and the stock option consideration will be reduced (first from the cash portion, then from the stock portion) by certain amounts required to be withheld under tax or other laws.

Reasons for the Merger (see page 38)

Hain

Hain believes that the merger will, among other things:

- Add a leading manufacturer and marketer in the edible oils and fats category in the natural channel to Hain's existing oils business and brand portfolio.
- Expand distribution potential for Spectrum products by optimizing Hain's strong presence in the grocery and mass retail channels.
- Achieve significant operating synergies, including elimination of certain duplicative costs, including: sales/marketing costs, company-wide operational functions, natural foods and grocery brokerage commissions, public company fees and trade

spending.

- Enable Hain to acquire a product portfolio and well-recognized brand in a category that Hain believes will continue to show strong growth, especially in light of the U.S. Department of Agriculture's recently revised food pyramid recommendations.

However, you should note that achieving these objectives is subject to particular risks which are discussed below in the section Risk Factors.

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Spectrum

Spectrum's board of directors has determined that the terms of the merger and the merger agreement are fair to, and in the best interest of, Spectrum and its shareholders. Spectrum's board of directors consulted with Spectrum's senior management, as well as legal counsel, independent accountants and investment bankers in reaching its decision to approve the merger. Spectrum's board of directors considered a number of factors in its deliberations, including, among others, the following:

- the benefits of becoming part of a larger organization with access to greater financial resources, enhanced research and development capabilities, expanded sales and distribution channels and a larger customer base;
- the opportunity to realize cost savings by consolidating functions and purchasing power and eliminating redundant expenses;
- the financial terms of the proposed merger, including the proposed structure as a reorganization within the meaning of Section 368(a) of the Code; and
- the risks of continuing as a separate entity, including the high cost of equity capital and Spectrum's heavy debt burden.

The foregoing discussion is not intended to be exhaustive. Please see *The Merger - Spectrum's Reasons for the Merger* for a full discussion of the items that Spectrum's board of directors considered in reaching its decision to approve the merger.

Opinion of Spectrum's Financial Advisor (see page 40)

D.F. Hadley & Co., Inc. delivered its written opinion to Spectrum's board of directors that, as of August 23, 2005 and based upon and subject to the assumptions, qualifications and limitations set forth therein, the merger consideration to be paid in exchange for each share of Spectrum common stock pursuant to the merger agreement was fair from a financial point of view to Spectrum's shareholders.

The full text of the written opinion of D.F. Hadley & Co., Inc., dated August 23, 2005, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as *Annex C*. D.F. Hadley & Co., Inc. provided its opinion for the information and assistance of Spectrum's board of directors in consideration of the merger and the merger agreement. The D.F. Hadley & Co., Inc. opinion is not a recommendation as to how any holder of Spectrum common stock should vote with respect to the approval of the principal terms of the merger. Spectrum urges you to read the entire opinion carefully.

The Special Meeting of Spectrum Shareholders (see page 32)

Time, Date and Place. A special meeting of Spectrum shareholders will be held on December 15, 2005 at 9:00 a.m., local time, at the principal executive offices of Spectrum located at 5341 Old Redwood Highway, Suite 400, Petaluma, California 94954, to vote on a proposal to approve the principal terms of the merger.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of Spectrum common stock at the close of business on November 4, 2005, the record date for the special meeting. You will have one vote at the special meeting for each share of Spectrum common stock you owned at the close of business on the record date. At the close of business on the record date, there were 46,444,693 outstanding shares of Spectrum common stock.

Required Vote. The approval of the principal terms of the merger requires the affirmative vote of a majority of the shares of Spectrum common stock outstanding at the close of business on the record date.

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Share Ownership of Management. At the close of business on the record date, the directors and executive officers of Spectrum and their affiliates owned approximately 63% of the shares entitled to vote at the special meeting of Spectrum shareholders. Jethren Phillips, the Chairman of the board of directors of Spectrum, has agreed to vote Spectrum shares representing 40% of the shares entitled to vote at the special meeting in favor of approval of the principal terms of the merger. See Voting Agreement.

Recommendation to Spectrum's Shareholders (see page 40)

Spectrum's board of directors has unanimously approved the merger agreement and the merger and has determined that the merger agreement and the merger are advisable and fair to, and in the best interest of, Spectrum and its shareholders, and recommends that Spectrum shareholders vote **FOR** the approval of the principal terms of the merger.

Interests of Spectrum's Officers and Directors in the Merger (see page 46)

When considering the recommendation by Spectrum's board of directors that Spectrum shareholders vote for the approval of the principal terms of the merger, you should be aware that a number of Spectrum's officers and directors may have interests in the merger that are different from, or in addition to, those of other Spectrum shareholders generally. Among other things, Hain has agreed to continue for a number of years following the completion of the merger certain insurance and indemnification arrangements in favor of the current officers and directors of Spectrum. In addition, Neil Blomquist, Spectrum's president and chief executive officer, entered into a Severance Agreement with Spectrum and a Non-Competition Agreement with Hain pursuant to which he will receive aggregate payments of \$150,000 and \$200,000, respectively, following the merger. Spectrum also has agreed to assign to Mr. Phillips its whole life insurance policy (including any cash surrender value) on Mr. Phillips' life. Other executive officers of Spectrum (excluding Mr. Blomquist) may also receive severance benefits from the surviving entity following the merger in the event that their employment is terminated for certain reasons following the merger.

Voting Agreement (see page 62)

Mr. Phillips has entered into a Voting and Support Agreement with Hain pursuant to which he has agreed to vote Spectrum shares representing 40% of the shares entitled to vote at the special meeting in favor of approval of the principal terms of the merger. Mr. Phillips beneficially owns approximately 53% of the outstanding shares of Spectrum common stock. See Voting Agreement.

Ownership of Hain After the Merger (see page 34)

Hain will issue between 877,583 and 997,253 shares of common stock to Spectrum shareholders in the merger, depending on the market price of Hain's common stock during the period prior to the merger. See Certain Terms of the Merger Agreement Manner and Basis of Converting Shares. Spectrum shareholders will own between 2.32% and 2.63% of the outstanding Hain common stock after the merger. Under an agreement that Hain entered with an affiliate of Heinz in September 1999, the affiliate of Heinz has the right to purchase shares of Hain common stock upon completion of the merger to maintain its approximately 16.4% interest in Hain. If the Heinz affiliate exercises this right in full, Hain will issue between 143,924 and 163,550 additional shares of Hain common stock to the Heinz affiliate at the time of the merger and Spectrum shareholders will then own between 2.31% and 2.62% of the outstanding Hain common stock after the merger. The above calculations are based on the number of shares of Hain common stock and Spectrum common stock outstanding on November 4, 2005, and assumes that all Spectrum stock options and warrants with an exercise price that is less than the merger consideration will be exercised, but does not take into account stock

options or warrants of Hain.

Conditions to the Merger (see page 58)

The obligation of each of Hain and Spectrum to complete the merger is subject to the satisfaction of a number of conditions, including, among others, the following:

- the principal terms of the merger will have been duly approved by a vote of Spectrum shareholders;

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- each party's representations and warranties in the merger agreement will have been accurate in all respects, without regard to any materiality or material adverse effect (as defined in Certain Terms of the Merger Agreement Conditions to the Merger) qualifications, except where the failure or failures of representations and warranties to be true and correct in all respects would not reasonably be expected to have a material adverse effect;
- each party will have complied with and performed its covenants set forth in the merger agreement in all material respects;
- the shares of Hain common stock to be issued to Spectrum's shareholders will have been approved for quotation on Nasdaq, subject to official notice of issuance;
- since the date of the merger agreement, there will not have been, and there will not reasonably be expected to be, any Company Material Adverse Effect (as defined in the merger agreement) that is continuing;
- the holders of not more than 10% (in the case of Hain's condition to close) or 20% (in the case of Spectrum's condition to close) of the outstanding shares of Spectrum common stock will immediately following the Spectrum shareholder vote to approve principal terms of the merger, or 30 days following such vote, have demanded and maintained the right to require, or have the continuing right to require, purchase of their shares of Spectrum common stock for cash in accordance with Chapter 13 of the California General Corporation Law, or the *CGCL* ;
- there will not be pending or threatened certain material legal proceedings challenging the merger or against the parties to the merger agreement; and
- there will not be in effect any injunction or other court order preventing the completion of the merger.

Either Hain or Spectrum may choose to waive the conditions to its obligation to complete the merger, provided that any such waiver is in compliance with applicable law.

Termination of the Merger Agreement (see page 60)

Each of Hain and Spectrum is entitled to terminate the merger agreement under certain circumstances. If the merger agreement is terminated under certain circumstances, Spectrum is obligated to pay to Hain a fee equal to \$900,000.

Limitation on Spectrum's Ability to Consider Other Acquisition Proposals (see page 57)

Spectrum has agreed not to discuss or negotiate any proposal or offer relating to (i) a merger, consolidation, share exchange or business combination involving Spectrum representing 20% or more of the assets of Spectrum, (ii) a sale, lease, exchange, mortgage, transfer or other disposition, in a single transaction or series of related transactions, of 20% or more of the assets of Spectrum, (iii) a purchase or sale of shares of capital stock or other securities, in a single transaction or series of related transactions, representing 20% or more of the voting power of the capital stock of Spectrum, including by way of a tender offer or exchange offer, (iv) a reorganization, recapitalization, liquidation or dissolution of Spectrum or (v) any other transaction having a similar effect to those described in clauses (i) (iv), in each case other than the transactions contemplated by the merger agreement, each of which is referred to in this proxy statement/prospectus as a *takeover proposal* while the merger

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is pending unless the other party has made a written takeover proposal on terms that Spectrum's board of directors determines is reasonably likely to result in a superior proposal (as defined in Certain Terms of the Merger Agreement Covenants; Conduct of Business Prior to the Merger Affirmative Covenants of Spectrum). A takeover proposal will not be deemed to be a superior proposal if any financing required to complete the transaction is not reasonably capable of being obtained by the other party.

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Expenses and Termination Fee (see page 61)

The merger agreement provides that regardless of whether the merger is completed, all expenses incurred by the parties will be borne by the party incurring such expenses, except that if the merger is consummated Hain will pay certain expenses of Spectrum. If the merger is completed, the surviving entity will assume Spectrum's expenses for third party services and fees to outside directors, in each case incurred after March 31, 2005, and payments to be made by Hain under the Non-Competition Agreement between Hain and Mr. Blomquist, collectively referred to in this proxy statement/prospectus as the *Company Expenses*, to the extent that the Company Expenses do not exceed \$725,000 in the aggregate. Any Company Expenses above \$725,000 in the aggregate, which are referred to in this proxy statement/prospectus as *Excess Company Expenses*, will reduce the cash portion of the aggregate merger consideration dollar-for-dollar.

The merger agreement requires that Spectrum pay Hain a termination fee of \$900,000 if:

- Spectrum terminates the merger agreement and accepts a superior proposal;
- Hain terminates the merger agreement because (i) Spectrum's board of directors withdraws, modifies or amends, in each case in any manner adverse to Hain, its recommendation that Spectrum's shareholders approve the principal terms of the merger or (ii) Spectrum's board of directors takes certain actions to support (or does not oppose) a takeover proposal; or
- (i) a takeover proposal is made or proposed to Spectrum or otherwise publicly announced, (ii) the merger agreement is terminated by either Spectrum or Hain and (iii) Spectrum consummates any takeover proposal (whether or not the same as the takeover proposal referred to in clause (i) above) within 18 months following the date of termination of the merger agreement.

Tax Matters (see page 47)

Cooley Godward LLP, outside counsel to Spectrum, and Cahill Gordon & Reindel LLP, outside counsel to Hain, are expected to each issue a tax opinion to the effect that the merger will constitute a reorganization under Section 368(a) of the Code. If the merger qualifies as a reorganization, Spectrum shareholders who exchange their Spectrum common stock for Hain common stock and cash will generally recognize gain, but not loss, realized in the merger (if any) but only to the extent such gain does not exceed the amount of cash received. Spectrum shareholders who exercise dissenters' rights will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis of the shares of Spectrum common stock exchanged.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

Accounting Treatment (see page 49)

The merger will be accounted for as a purchase for financial reporting purposes.

Regulatory Approvals (see page 49)

Hain and Spectrum believe that the merger is not subject to the reporting obligations, statutory waiting periods or other approvals of any governmental agency.

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Risk Factors (see page 13)

In evaluating the principal terms of the merger, you should carefully read this proxy statement/prospectus and consider the factors discussed in the section entitled Risk Factors.

Material Differences in Rights of Spectrum Shareholders and Hain Stockholders (see page 114)

Spectrum shareholders receiving merger consideration in the form of Hain common stock will have different rights once they become Hain stockholders due to differences between the governing law and governing documents of Spectrum and Hain. See Comparative Rights of Hain Stockholders and Spectrum Shareholders.

Dissenters Rights (see page 49)

Holders of Spectrum common stock are entitled to dissenters rights under California law. See The Merger Rights of Dissenting Spectrum Shareholders.

Table of Contents**COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND DATA**

Hain common stock is quoted on The Nasdaq National Market, or *Nasdaq*, under the symbol HAIN. Spectrum common stock is listed on the OTC Bulletin Board System under the symbol SPOP.OB

The table below sets forth, for the periods indicated, the high and low closing sale prices per share of Hain common stock as quoted on Nasdaq and the high and low closing sale prices per share of Spectrum common stock as reported on the OTC Bulletin Board System. The prices shown do not include retail markups, markdowns or commissions.

	Hain		Spectrum		
	common stock		common stock		
	Market Price		Market Price		
	High	Low	High	Low	
Hain fiscal year ended June 30, 2004			Spectrum fiscal year ended December 31, 2003		
First Quarter	\$ 20.29	\$ 15.85	First Quarter	\$ 0.40	\$ 0.30
Second Quarter	\$ 24.02	\$ 18.10	Second Quarter	\$ 0.45	\$ 0.20
Third Quarter	\$ 24.09	\$ 20.90	Third Quarter	\$ 0.72	\$ 0.41
Fourth Quarter	\$ 22.14	\$ 17.13	Fourth Quarter	\$ 0.89	\$ 0.58
Hain fiscal year ended June 30, 2005			Spectrum fiscal year ended December 31, 2004		
First Quarter	\$ 18.24	\$ 15.24	First Quarter	\$ 1.11	\$ 0.78
Second Quarter	\$ 20.69	\$ 16.18	Second Quarter	\$ 0.91	\$ 0.50
Third Quarter	\$ 20.73	\$ 18.20	Third Quarter	\$ 0.68	\$ 0.45
Fourth Quarter	\$ 20.17	\$ 17.20	Fourth Quarter	\$ 0.69	\$ 0.51
Hain fiscal year ending June 30, 2006			Spectrum fiscal year ending December 31, 2005		
First Quarter	\$ 20.45	\$ 18.30	First Quarter	\$ 0.58	\$ 0.48
Second Quarter (through November 4, 2005)	\$ 20.96	\$ 18.37	Second Quarter	\$ 0.65	\$ 0.45
			Third Quarter	\$ 0.76	\$ 0.56
			Fourth Quarter (through November 4, 2005)	\$ 0.69	\$ 0.65

As of the record date, there were 102 record holders of Spectrum common stock. Neither Hain nor Spectrum has ever paid cash dividends on its common stock. Following the merger, Hain intends to retain future earnings to support the development of its business and does not anticipate declaring or paying any dividends for the foreseeable future. Following completion of the merger, Hain common stock will continue to be quoted on Nasdaq, and there will be no further market for Spectrum common stock.

The following table sets forth the per share closing sale price of Hain common stock as quoted on Nasdaq, the per share closing sale price of Spectrum common stock as reported on the OTC Bulletin Board System, and the estimated equivalent per share price, as explained below, of Spectrum common stock if the merger occurred on August 22, 2005, the last full trading day before the public announcement of the proposed merger, and if the merger occurred on November 4, 2005, the latest practicable date before the date of this proxy statement/prospectus:

Hain	Spectrum	Estimated equivalent Spectrum per share price
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	common stock	common stock	
August 22, 2005	\$ 18.93	\$ 0.68	\$ 0.705 (a)
November 4, 2005	\$ 20.59	\$ 0.69	\$ 0.742 (b)

- (a) Equal to (i) \$0.355, the cash component of the merger consideration plus (ii) the value of the stock component of the merger consideration, which is equal to the product of (1) the exchange ratio (\$0.355 divided by \$19.189, the value of a share of Hain common stock as provided in the merger agreement if the merger occurred on August 22, 2005) times (2) \$18.93, the closing price of Hain common stock on August 22, 2005. This assumes that Spectrum does not incur any Excess Company Expenses.
- (b) Equal to (i) \$0.355, the cash component of the merger consideration plus (ii) the value of the stock component of the merger consideration, which is equal to the product of (1) the exchange ratio (\$0.355 divided by \$18.88, the value of a share of Hain common stock as provided in the merger agreement if the merger occurred on November 4, 2005) times (2) \$20.59, the closing price of Hain common stock on November 4, 2005. This assumes that Spectrum does not incur any Excess Company Expenses.

Table of Contents**THE HAIN CELESTIAL GROUP, INC.****SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION**

The following selected historical consolidated financial information should be read in conjunction with Hain's financial statements and the related notes thereto and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" from Hain's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, which are incorporated by reference in this proxy statement/prospectus. The information as of June 30, 2004 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2005, has been derived from Hain's audited consolidated financial statements, incorporated by reference in this proxy statement/prospectus, and have been audited by Ernst & Young LLP, independent registered public accounting firm, whose report is also incorporated by reference in this proxy statement/prospectus. The information as of June 30, 2001, 2002 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2002, has been derived from Hain's audited consolidated financial statements not included or incorporated by reference in this proxy statement/prospectus. The information as of September 30, 2004 and 2005 and for the three months then ended has been derived from Hain's unaudited condensed consolidated financial statements, which are incorporated by reference in this proxy statement/prospectus.

Historical results are not necessarily indicative of the results to be obtained in the future.

	Year Ended June 30,					Three Months Ended September 30,	
	2005	2004	2003	2002	2001	2005	2004
Operating results:							
Net sales	\$ 619,967	\$ 544,058	\$ 466,459	\$ 395,954	\$ 345,661	\$ 161,097	\$ 137,604
Net income (a)	\$ 21,870	\$ 27,008	\$ 27,492	\$ 2,971	\$ 23,589	\$ 7,363	\$ 6,182
Basic earnings per common share	\$.60	\$.77	\$.81	\$.09	\$.71	\$.20	\$.17
Diluted earnings per common share	\$.59	\$.74	\$.79	\$.09	\$.68	\$.20	\$.17
Financial Position:							
Working Capital	\$ 124,342	\$ 129,949	\$ 83,324	\$ 70,942	\$ 92,312	\$ 131,294	\$ 128,551
Total assets	707,136	684,231	581,548	481,183	461,693	728,841	685,295
Long-term debt	92,271	104,294	59,455	10,293	10,718	90,785	99,906
Stockholders' equity	528,290	496,765	440,797	403,848	396,653	543,905	507,767

(a) Amounts for 2001 include amortization of goodwill and indefinite-life intangible assets, net of tax, amounting to \$4 million, or \$0.12 per share. In subsequent years, no amortization expense has been incurred in accordance with SFAS No. 142, which was adopted by Hain effective at the beginning of 2002.

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(b) EBITDA as adjusted is earnings before interest, taxes, depreciation, amortization, losses on asset writedowns and plant closures, the gain or loss from the sales of product line and the industrial accident. Spectrum's management believes this is an important measure of Spectrum's operating performance because it eliminates the effect of some unusual items in Spectrum's past that do not qualify for treatment as extraordinary under generally accepted account principles. The majority of management incentives are earned based upon the achievement of EBITDA as adjusted targets that are established prior to the beginning of each year.

The calculations to arrive at EBITDA as adjusted are detailed in the following table:

	Year Ended December 31,					Nine Months Ended September 30,	
	2004	2003	2002	2001	2000	2005	2004
Net income (loss) as reported	\$ (833)	\$ 2,664	\$ 1,120	\$ (5,206)	\$ (2,002)	\$ 550	\$ 102
Provision (benefit) for income taxes	(555)	(1,567)	190		4	366	68
Interest expense	362	404	481	913	1,382	436	250
Depreciation and amortization	653	525	454	419	531	479	461
Amortization of goodwill				521	910		
(Gain) loss on sales of product lines			(210)	4,803	(50)		
Industrial accident expenses		410	254				
Plant relocation and asset impairment writedowns	1,565			950	437		
EBITDA as adjusted	\$ 1,192	\$ 2,436	\$ 2,289	\$ 2,400	\$ 1,212	\$ 1,830	\$ 880

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The information below reflects:

- the historical net income, book value and cash dividends per share of Hain common stock and the historical net income (loss), book value and cash dividends per share of Spectrum common stock in comparison with the unaudited pro forma net income, book value and cash dividends per share after giving effect to the proposed merger of Spectrum with a subsidiary of Hain on a purchase basis;
- the equivalent historical net income, book value and cash dividends per share attributable to 0.01850 shares of Hain common stock, which is the fraction of a Hain share which would be received for each share of Spectrum common stock if the merger had been consummated on August 22, 2005, the last full trading day before the public announcement of the proposed merger;
- the equivalent historical net income, book value and cash dividends per share attributable to 0.020374 shares of Hain common stock, which is the maximum fraction of a Hain share which would be received for each share of Spectrum common stock pursuant to the merger agreement; and
- the equivalent historical net income, book value and cash dividends per share attributable to 0.017929 shares of Hain common stock, which is the minimum fraction of a Hain share which would be received for each share of Spectrum common stock pursuant to the merger agreement.

The following tables should be read in conjunction with the historical consolidated financial statements and related notes of Hain which are incorporated by reference in this proxy statement/prospectus and the historical financial statements of Spectrum and related notes, which are included elsewhere in this proxy statement/prospectus.

HAIN

	Three Months Ended	
	September 30, 2005	Fiscal Year Ended June 30, 2005
Historical per common share data:		
Net income basic	\$ 0.20	\$ 0.60
Net income diluted	\$ 0.20	\$ 0.59
Book value	\$ 14.73	\$ 14.43
Cash dividends		

SPECTRUM

	Nine Months Ended	Fiscal Year Ended
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	September 30, 2005	December 31, 2004
Historical per common share data:		
Net income (loss) basic	\$ 0.01	\$ (0.02)
Net income (loss) diluted	\$ 0.01	\$ (0.02)
Book value	\$ 0.13	\$ 0.11
Cash dividends		

Table of Contents**HAIN AND SPECTRUM**

	Three Months Ended	Fiscal Year Ended
	September 30, 2005	June 30, 2005
	<u> </u>	<u> </u>
Combined pro forma per Hain common share data, calculated assuming the closing occurred on August 22, 2005:		
Net income basic	\$ 0.19	\$ 0.56
Net income diluted	\$ 0.18	\$ 0.55
Book value	\$ 15.20	\$ 14.56
Cash dividends		
Combined pro forma per Spectrum equivalent share data, calculated assuming the closing occurred on August 22, 2005:		
Net income basic		\$ 0.01
Net income diluted		\$ 0.01
Book value	\$ 0.28	\$ 0.28
Cash dividends		
Combined pro forma per Spectrum equivalent share data, calculated assuming the maximum number of Hain shares were issued (a):		
Net income basic		\$ 0.01
Net income diluted		\$ 0.01
Book value	\$ 0.31	\$ 0.30
Cash dividends		
Combined pro forma per Spectrum equivalent share data, calculated assuming the minimum number of Hain shares were issued (b):		
Net income basic		\$ 0.01
Net income diluted		\$ 0.01
Book value	\$ 0.27	\$ 0.27
Cash dividends		

(a) Calculated assuming that the Ten Day Average and the value of Hain common stock at the closing were both \$17.424.

(b) Calculated assuming that the Ten Day Average and the value of Hain common stock at the closing were both \$19.80.

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RISK FACTORS

Spectrum shareholders should consider the following risk factors in evaluating whether to vote for the approval of the principal terms of the merger. These factors should be considered in conjunction with the other information included in this proxy statement/prospectus.

Risks Relating to the Merger

Holders of Spectrum common stock may receive Hain common stock with an initial value of less than \$0.355 as the stock portion of the merger consideration

Each share of Spectrum common stock will be converted into the right to receive a combination of (i) \$0.355 in cash, less the fully-diluted per share portion of any Excess Company Expenses, and (ii) a number of shares of Hain common stock with a value, based upon the average closing sales price of Hain common stock for the 10 trading days beginning 12 trading days prior to the closing, of \$0.355, so long as the average closing sales price per share of Hain's common stock during this period is within the range of \$17.424 to \$19.80. If the average closing sales price of Hain common stock used to calculate the exchange ratio is less than \$17.424, the exchange ratio will be fixed at 0.02037 shares of Hain common stock per share of Spectrum common stock. If this occurs, and the price of Hain common stock at the completion of the merger is less than \$17.424, the initial value of the Hain common stock to be received by holders of Spectrum common stock will be less than \$0.355 per Spectrum share. In any case, no fractional shares of Hain common stock will be issued, and Spectrum shareholders will receive cash in lieu of any fractional share of Hain common stock that they would otherwise be entitled to receive in the merger.

In addition, the price of Hain common stock at the completion of the merger could be lower than the average closing sales price used to determine the exchange ratio. Therefore, even if the average closing sales price used to determine the exchange ratio is greater than \$17.424, holders of Spectrum common stock could also receive Hain common stock with an initial value of less than \$0.355 per Spectrum share.

The prices of Hain common stock and Spectrum common stock at the closing of the merger may vary from their respective prices on the date of this proxy statement/prospectus and on the date of the special meeting. These prices may vary as a result of changes in the business, operations or prospects of Hain or Spectrum, market assessments of the likelihood that the merger will be completed, the timing of the completion of the merger, the prospects of post-merger operations, general market and economic conditions and other factors.

The exchange ratio could be significantly different from what it would be if determined before the special meeting

Because the exchange ratio will not be determined until the second trading day before completion of the merger, you must decide whether or not to approve the merger agreement before knowing the actual exchange ratio. Changes in the price of Hain common stock prior to the completion of the merger may cause the actual exchange ratio to differ significantly from the exchange ratio that would have existed if it had been calculated as of the date of the special meeting.

If Hain does not successfully integrate the business of Spectrum, it may not realize the expected benefits of the merger

Achieving the benefits of the merger will depend in part on the successful integration of Spectrum's business operations, technology, vendors, suppliers and personnel with those of Hain in a timely and efficient manner, and maintaining Spectrum's relationships with key brand manufacturers. Integration efforts may be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions, strategic plans and other decisions. Hain does not know whether it will be successful in these integration efforts and cannot give assurance that it will realize the expected benefits of the merger. If Hain cannot successfully integrate Spectrum's operations, technology, vendors, suppliers and personnel, or maintain Spectrum's relationships with key brand manufacturers, it may not realize the expected benefits of the merger.

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If Hain does not successfully integrate the business of Spectrum and realize the expected benefits of the merger, it will have incurred significant costs, which may harm its business

Hain expects to incur significant costs and commit significant management time integrating Spectrum's business operations, technology, development programs, products and personnel with those of Hain. If Hain does not successfully integrate the business of Spectrum, the expenditure of these significant costs will reduce Hain's cash position without Hain realizing the expected benefits of the merger. These costs may include:

- employee severance expenses;
- costs associated with the integration of operations; and
- fees and expenses of professionals and consultants involved in completing the acquisition and the integration process.

Integrating the business of Spectrum may divert management's attention away from operations

Successful integration of Spectrum's business operations, technology and personnel may place a significant burden on the management and internal resources of Hain and Spectrum. If Hain is not able to integrate the business of Spectrum efficiently, Hain's management's attention could be diverted, which could disrupt the operation of Hain's business.

Failure to retain key employees could diminish the benefits of the merger

Spectrum depends on the services of key executives and other officers because of their experience in the natural and organic culinary oil industry. Current and prospective employees of Spectrum may experience uncertainty about their future roles after Spectrum is integrated into Hain, which may adversely affect the ability of Spectrum or the surviving entity following the merger to retain and attract key management, technical and other personnel. The loss of the services of one or more of these key employees or the inability of Spectrum or the surviving entity to attract, train, and retain qualified employees could result in the loss of customers or otherwise inhibit the ability of the surviving entity to integrate and grow its business effectively, diminishing the benefits of the merger.

Failure to complete the merger could adversely affect Spectrum's stock price, future business and operations

If the merger is not completed for any reason, Spectrum may be subject to a number of material risks, including the following:

- the price of Spectrum common stock may decline to the extent that the market price prior to such termination reflects a market assumption that the merger will be completed;

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- costs related to the merger, such as legal, accounting and financial advisor fees, must be paid even if the merger is not completed; and
- Spectrum may be required under certain circumstances to pay Hain a termination fee of \$900,000.

Further, if the merger were terminated and Spectrum's board of directors sought another merger or business combination, there would be no assurance that it would be able to find a partner willing to pay an equivalent or more attractive price than the price Hain is offering in the merger. In addition, while the merger agreement is in effect, subject to very narrowly defined exceptions, Spectrum is prohibited from soliciting, initiating, encouraging or entering into transactions such as a merger, sale of assets or other business combination with any party other than Hain.

Hain's or Spectrum's partners, vendors, suppliers, including key brand manufacturers, or customers, in response to the announcement or pendency of the merger, may delay or defer decisions concerning the relevant company. Any delay or deferral of those decisions by partners, vendors, suppliers or customers, or a decision by any of these parties to discontinue its relationship with Spectrum or Hain, could have a material adverse effect on the business of the relevant company. Similarly, current and prospective Hain or Spectrum employees may experience uncertainty about their future roles with Hain until Hain's plans with regard to Spectrum are announced or fully executed.

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The market price of Hain common stock may decline as a result of the merger

The market price of Hain common stock may decline as a result of the merger if:

- the integration of Spectrum's business is unsuccessful;
- Hain does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial analysts or investors; or
- the effect of the merger on financial results is not consistent with the expectations of financial analysts or investors.

Spectrum's directors have conflicts of interest that may have influenced them to recommend the approval of the principal terms of the merger, and Spectrum's officers may have differing interests in the merger than the interests of Spectrum shareholders generally

The directors and officers of Spectrum participate in arrangements and have continuing indemnification against liabilities that provide them with interests in the merger that are different from, or in addition to, the interests of Spectrum shareholders generally, including the following:

- Hain has agreed to keep in place all rights to indemnification existing in favor of the directors and officers of Spectrum for their acts and omissions occurring prior to the effective time of the merger, as provided in Spectrum's amended and restated articles of incorporation and amended and restated by-laws and in the indemnification agreements between Spectrum and its directors, officers and employees, for a period of six years from the effective time of the merger; and
- Hain has agreed to cause the surviving company to maintain officers' and directors' liability insurance in specified amounts and for specified periods following the effective time of the merger, covering the directors and officers of Spectrum for their acts and omissions occurring prior to the effective time of the merger.

For the above reasons, the directors of Spectrum could be more likely to vote to approve the principal terms of the merger and recommend such approval by Spectrum shareholders than if they did not hold these interests.

In addition, in connection with the merger agreement, Neil Blomquist, Spectrum's president and chief executive officer, entered into a Severance Agreement with Spectrum (attached as *Annex F* to this proxy statement/prospectus) and a Non-Competition Agreement with Hain (attached as *Annex E* to this proxy statement/prospectus). Mr. Blomquist will be paid an aggregate of \$150,000 for his services under the Severance Agreement, and will be paid an aggregate of \$200,000 in consideration for his performance under the Non-Competition Agreement.

Spectrum shareholders should consider whether the interests described above may have influenced Spectrum's directors to recommend, or Spectrum's directors and officers to support, approval of the principal terms of the merger. Other executive officers of Spectrum (excluding Mr. Blomquist) may also receive severance benefits from the surviving entity following the merger in the event that their employment is terminated for certain reasons following the merger.

Former Spectrum shareholders will have limited ability to influence Hain's actions and decisions following the merger

Following the merger, former Spectrum shareholders will hold less than 3% of the outstanding shares of Hain common stock. As a result, former Spectrum shareholders will have only limited ability to influence Hain's business. Former Spectrum shareholders will not have separate approval rights with respect to any actions or decisions of Hain or have separate representation on Hain's board of directors.

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Risks Relating to Hain

Hain's Acquisition Strategy Exposes Hain to Risk

Hain intends to continue to grow its business in part through the acquisition of new brands, both in the United States and internationally. Hain's acquisition strategy is based on identifying and acquiring brands with products that complement Hain's existing product mix. Hain cannot be certain that it will be able to:

- successfully identify suitable acquisition candidates;
- negotiate identified acquisitions on terms acceptable to Hain; or
- obtain the necessary financing to complete such acquisitions.

Hain may encounter increased competition for acquisitions in the future, which could result in acquisition prices Hain does not consider acceptable. Hain is unable to predict whether or when any prospective acquisition candidate will become available or the likelihood that any acquisition will be completed.

Hain's Future Success May Be Dependent on Its Ability to Integrate Companies That It Acquires

Hain's future success may be dependent upon its ability to effectively integrate new brands that it acquires, including its ability to realize potentially available marketing opportunities and cost savings, some of which may involve operational changes. Hain cannot be certain:

- as to the timing or number of marketing opportunities or amount of cost savings that may be realized as the result of its integration of an acquired brand;
- that a business combination will enhance Hain's competitive position and business prospects;
- that Hain will not experience difficulties with customers, personnel or other parties as a result of a business combination; or
- that, with respect to its acquisitions outside the United States, Hain will not be affected by, among other things, exchange rate risk.

In addition, Hain cannot be certain that it will be successful in:

- integrating an acquired brand's distribution channels with Hain's own;
- coordinating sales force activities of an acquired company or in selling the products of an acquired company to Hain's customer base; or
- integrating an acquired company into Hain's management information systems or integrating an acquired company's products into Hain's product mix.

Additionally, integrating an acquired company into Hain's existing operations will require management resources and may divert Hain's management from its day-to-day operations. If Hain is not successful in integrating the operations of acquired companies, Hain's business could be harmed.

Consumer Preferences for Hain's Products Are Difficult to Predict and May Change

A significant shift in consumer demand away from Hain's products or Hain's failure to maintain its current market position could reduce Hain's sales or the prestige of its brands in its markets, which could harm

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Hain's business. While Hain continues to diversify its product offerings, Hain cannot be certain that demand for its products will continue at current levels or increase in the future.

Hain's business is primarily focused on sales of natural and organic products in markets geared to consumers of natural foods, specialty teas, non-dairy beverages, cereals, breakfast bars, canned soups and vegetables, snacks and cooking oils, which, if consumer demand for such categories were to decrease, could harm its business. Consumer trends change based on a number of possible factors, including:

- nutritional values, such as a change in preference from fat free to reduced fat to no reduction in fat; and
- a shift in preference from organic to non-organic and from natural products to non-natural products.

In addition, Hain has other product categories, such as medically-directed food products, kosher foods and other specialty food items, as well as natural health and beauty care products. Hain is subject to evolving consumer preferences for these products.

Hain's Markets Are Highly Competitive

Hain operates in highly competitive geographic and product markets, and some of its markets are dominated by competitors with greater resources. Hain cannot be certain that it could successfully compete for sales to distributors or stores that purchase from larger, more established companies that have greater financial, managerial, sales and technical resources. In addition, Hain competes for limited retailer shelf space for its products. Larger competitors, such as mainstream food companies including General Mills, Nestle S.A., Kraft Foods, Groupe Danone, Kellogg Company and Sara Lee Corporation, also may be able to benefit from economies of scale, pricing advantages or the introduction of new products that compete with Hain's products. Retailers also market competitive products under their own private labels.

The beverage market is large and highly competitive. The tea portion of the beverage market is also highly competitive. Competitive factors in the tea industry include product quality and taste, brand awareness among consumers, variety of specialty tea flavors, interesting or unique product names, product packaging and package design, supermarket and grocery store shelf space, alternative distribution channels, reputation, price, advertising and promotion. Hain's principal competitors on a national basis in the specialty tea market are Thomas J. Lipton Company, a division of Unilever PLC, and R.C. Bigelow, Inc. Unilever has substantially greater financial resources than Hain. In addition, in April 2004, Tazo Tea Company (a subsidiary of Starbucks Corporation) and Kraft Foods Global, Inc. announced a licensing agreement whereby Tazo products might gain additional access to grocery channels through placement by Kraft, which has substantially greater financial resources than Hain does. Additional competitors include a number of regional specialty tea companies. There may be potential entrants which are not currently in the specialty tea market who may have substantially greater resources than Hain has. Private label competition in the specialty tea category is currently minimal, but growing.

In the future, competitors may introduce other products that compete with Hain's products and these competitive products may have an adverse effect on Hain's business, results of operations and financial condition.

Hain Is Dependent Upon the Services of Its Chief Executive Officer

Hain is highly dependent upon the services of Irwin D. Simon, its Chairman of the Board, President and Chief Executive Officer. Hain believes Mr. Simon's reputation as Hain's founder and his expertise and knowledge in the natural and organic products market are critical factors in Hain's continuing growth. The loss of the services of Mr. Simon could harm Hain's business.

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Hain Relies on Independent Brokers and Distributors for a Substantial Portion of Its Sales

Hain relies upon sales efforts made by or through non-affiliated food brokers to distributors and other customers. The loss of, or business disruption at, one or more of these distributors or brokers may harm Hain's business. If Hain was required to obtain additional or alternative distribution and food brokerage agreements or arrangements in the future, Hain cannot be certain that it will be able to do so on satisfactory terms or in a timely manner. In fiscal 2005, one of Hain's distributors, United Natural Foods, Inc., or *UNFI*, accounted for approximately 22% of Hain's net sales. Two of Hain's distributors, UNFI and Tree of Life, accounted for approximately 20% and 12%, respectively, of Hain's net sales for the fiscal year ended June 30, 2004, and approximately 18% and 15%, respectively, for the year ended June 30, 2003. Hain's inability to enter into satisfactory brokerage agreements may inhibit Hain's ability to implement its business plan or to establish markets necessary to develop its products successfully. Food brokers act as selling agents representing specific brands on a non-exclusive basis under oral or written agreements generally terminable at any time on 30 days' notice, and receive a percentage of net sales as compensation. Distributors purchase directly for their own account for resale. In addition, the success of Hain's business depends, in large part, upon the establishment and maintenance of a strong distribution network.

Loss of One or More of Hain's Manufacturing Facilities Could Harm Hain's Business

For the years ended June 30, 2005, 2004 and 2003, approximately 47%, 39% and 42%, respectively, of Hain's revenue was derived from products manufactured at Hain's manufacturing facilities. An interruption in or the loss of operations at one or more of these facilities, or the failure to maintain Hain's labor force at one or more of these facilities, could delay or postpone production of Hain's products, which could have a material adverse effect on Hain's business, results of operations and financial condition until Hain could secure an alternate source of supply.

Hain Relies on Independent Co-Packers to Produce Some or Most of Its Products

During 2005, 2004 and 2003, approximately 53%, 61% and 58%, respectively, of Hain's revenue was derived from products manufactured at independent co-packers. In the U.S., Hain presently obtains:

- all of its requirements for non-dairy beverages from five co-packers, all of which are under contract or other arrangements;
- all of its U.S. requirements for rice cakes from one co-packer;
- all of its Health Valley® baked goods and cereal products from one co-packer, which is under contract;
- all of its cooking oils from one co-packer;
- principally all of its Garden of Eatin® and Little Bear Organic Foods® tortilla chips from three co-packers, one of which is under contract;
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a portion of its requirements for Terra[®] Yukon Gold, Red Bliss, Terra Blues and Potpourri potato chips and Frites line from one co-packer, which is under contract;

- the requirements for its canned soups from four co-packers, which are under contract;
- all of its Earth's Best[®] baby food products from seven co-packers, which are under contract;
- a portion of its Ethnic Gourmet[®] products from one co-packer, which is under contract; and
- all of its Zia[®] natural skincare products from four co-packers, which are under contract or other arrangements.

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The loss of one or more co-packers, or Hain's failure to retain co-packers for newly acquired products or brands, could delay or postpone production of Hain's products, which could have a material adverse effect on Hain's business, results of operations and financial condition until such time as an alternate source could be secured, which may be on less favorable terms.

Hain's Tea Ingredients Are Subject to Import Risk

Hain's tea brand purchases its ingredients from numerous foreign and domestic manufacturers, importers and growers, with the majority of those purchases occurring outside of the United States. Hain maintains long-term relationships with most of its suppliers. Purchase arrangements with ingredient suppliers are generally made annually and in U.S. currency. Purchases are made through purchase orders or contracts, and price, delivery terms and product specifications vary.

Hain's botanical purchasers visit major suppliers around the world annually to procure ingredients and to assure quality by observing production methods and providing product specifications. Many ingredients are presently grown in countries where labor-intensive cultivation is possible, and where Hain often must educate the growers about product standards. Hain performs laboratory analysis on incoming ingredient shipments for the purpose of assuring that they meet Hain's quality standards and those of the Food and Drug Administration, or the *FDA*, and the California Organic Foods Act of 1990.

Hain's ability to ensure a continuing supply of ingredients at competitive prices depends on many factors beyond Hain's control, such as foreign political situations, embargoes, changes in national and world economic conditions, currency fluctuations, forecasting adequate need of seasonal raw material ingredients and unfavorable climatic conditions. Hain takes steps and will continue to take steps intended to lessen the risk of an interruption of botanical supplies, including identification of alternative sources and maintenance of appropriate inventory levels. Hain has, in the past, maintained sufficient supplies for its ongoing operations.

Hain's failure to maintain relationships with its existing suppliers or find new suppliers, observe production standards for its foreign procured products or continue its supply of botanicals from foreign sources could harm Hain's business.

Hain's Future Results of Operations May be Adversely Affected by Escalating Fuel Costs

Many aspects of Hain's business have been, and continue to be, directly affected by the continuously rising cost of fuel. Increased fuel costs have translated into increased costs for the products and services Hain receives from its third party providers including, but not limited to, increased production and distribution costs for Hain's products. As the cost of doing business increases, Hain may not be able to pass these higher costs on to its customers and, therefore, any such increase may adversely affect Hain's earnings.

Hain Is Subject to Risks Associated with Its International Sales and Operations, Including Foreign Currency Risks

Operating in international markets involves exposure to movements in currency exchange rates, which are volatile at times. The economic impact of currency exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest

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rates, governmental actions and other factors. Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors. These changes, if material, could cause adjustments to Hain's financing and operating strategies. During fiscal 2005, approximately 21.1% of Hain's net sales were generated outside the United States, while such sales outside the United States were 20.3% of net sales in 2004 and 17.3% in 2003.

Hain expects sales from non-core U.S. markets to possibly represent an increasing portion of its total net sales in the future. Hain's non U.S. sales and operations are subject to risks inherent in conducting business abroad, many of which are outside Hain's control, including:

- periodic economic downturns and unstable political environments;

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- price and currency exchange controls;
- fluctuations in the relative values of currencies;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- compliance with applicable foreign laws; and
- difficulties in managing a global enterprise, including staffing, collecting accounts receivable and managing distributors.

Hain's Inability to Use Its Trademarks Could Have a Material Adverse Effect on Hain's Business

Hain's inability to use its trademarks could have a material adverse effect on Hain's business, results of operations and financial condition.

Hain believes that brand awareness is a significant component in a consumer's decision to purchase one product over another in the highly competitive food and beverage industry. Hain's failure to continue to sell its products under its established brand names could have a material adverse effect on Hain's business, results of operations and financial condition. Hain believes that its trademarks and trade names are significant to the marketing and sale of its products and that the inability to utilize certain of these names could have a material adverse effect on Hain's business, results of operations and financial condition.

Hain's Products Must Comply with Government Regulation

The United States Department of Agriculture, or the *USDA*, has adopted regulations with respect to a national organic labeling and certification program which became effective February 20, 2001, and fully implemented on October 21, 2002. Hain currently manufactures approximately 650 organic products which are covered by these regulations. Future developments in the regulation of labeling of organic foods could require Hain to further modify the labeling of its products, which could affect the sales of its products and thus harm its business.

In addition, on January 18, 2001, the FDA proposed new policy guidelines regarding the labeling of genetically engineered foods. The FDA is currently considering the comments it received before issuing final guidance. These guidelines, if adopted, could require Hain to modify the labeling of its products, which could affect the sales of its products and thus harm its business.

The FDA published the final rule amending the Nutritional Labeling regulations to require declaration of *Trans Fatty Acids* in the nutritional label of conventional foods and dietary supplements on July 11, 2003. The final rule will be effective on January 1, 2006. Additionally, an allergen labeling law was passed and signed on August 3, 2004. This law requires certain allergens to be clearly labeled by January 1, 2006. Hain is in the process of revising its labels to comply with the final rules. Additionally, Canada has adopted new food labeling regulations that must be implemented by December 12, 2005, which require a Nutritional Facts panel to be on most food packages. Hain's Yves products will be subject to these regulations, as will all Hain's other products sold into Canada.

Furthermore, new government laws and regulations may be introduced in the future that could result in additional compliance costs, seizures, confiscations, recalls or monetary fines, any of which could prevent or inhibit the development, distribution and sale of Hain's products. If Hain fails to comply with applicable laws and regulations, it may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on Hain's business, results of operations and financial condition.

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Product Recalls Could Have a Material Adverse Effect on Hain's Business

Manufacturers and distributors of products in Hain's industry are sometimes subject to the recall of their products for a variety of reasons, including for product defects, such as ingredient contamination, packaging safety and inadequate labeling disclosure. If any of Hain's products are recalled due to a product defect or for any other reason, Hain could be required to incur the expense of the recall or the expense of any resulting legal proceeding. Additionally, if one of Hain's significant brands were subject to recall, the image of that brand and of Hain could be harmed, which could have a material adverse effect on Hain's business.

Product Liability Suits, If Brought, Could Have a Material Adverse Effect on Hain's Business

If a product liability claim exceeding Hain's insurance coverage were to be successfully asserted against Hain, it could harm Hain's business. Hain cannot assure you that such coverage will be sufficient to insure against claims which may be brought against it, or that Hain will be able to maintain such insurance or obtain additional insurance covering existing or new products. As a marketer of food products, Hain is subject to the risk of claims for product liability. Hain maintains product liability insurance and generally requires that its co-packers maintain product liability insurance with Hain as a co-insured.

Hain Relies on Independent Certification for a Number of Its Natural and Specialty Food Products

Hain relies on independent certification, such as certifications of Hain's products as organic or kosher, to differentiate its products from others. The loss of any independent certifications could adversely affect Hain's market position as a natural and specialty food company, which could harm Hain's business.

Hain must comply with the requirements of independent organizations or certification authorities in order to label its products as certified. For example, Hain can lose its organic certification if a manufacturing plant becomes contaminated with non-organic materials, or if not properly cleaned after a production run. In addition, all raw materials must be certified organic. Similarly, Hain can lose its kosher certification if a manufacturing plant and raw materials do not meet the requirements of the appropriate kosher supervision organization.

Due to the Seasonality of Many of Hain's Products, Including Hain's Tea Products, and Other Factors, Hain's Operating Results Are Subject to Quarterly Fluctuations

Hain's tea brand manufactures and markets hot tea products and as a result its quarterly results of operations reflect seasonal trends resulting from increased demand for its hot tea products in the cooler months of the year. In addition, some of Hain's other products (e.g., baking and cereal products and soups) also show stronger sales in the cooler months while Hain's snack food product lines are stronger in the warmer months. Quarterly fluctuations in Hain's sales volume and operating results are due to a number of factors relating to Hain's business, including the timing of trade promotions, advertising and consumer promotions and other factors, such as seasonality, inclement weather and unanticipated increases in labor, commodity, energy, insurance or other operating costs. The impact on sales volume and operating results due to the timing and extent of these factors can significantly impact Hain's business. For these reasons, you should not rely on Hain's quarterly operating results as indications of future performance.

Hain's Officers and Directors May Be Able to Control Hain's Actions

Hain's officers and directors beneficially owned approximately 11.6% of Hain's common stock as of September 1, 2005. In addition, two of these directors currently serve as a designee and a jointly appointed designee of an affiliate of Heinz, which owned approximately 16.4% of Hain's common stock as of September 1, 2005. Accordingly, Hain's officers and directors may be in a position to influence the election of Hain's directors and otherwise influence stockholder action.

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Hain's Ability to Issue Preferred Stock May Deter Takeover Attempts

Hain's board of directors is empowered to issue, without stockholder approval, preferred stock with dividends, liquidation, conversion, voting or other rights which could decrease the amount of earnings and assets available for distribution to holders of Hain's common stock and adversely affect the relative voting power or other rights of the holders of Hain's common stock. In the event of issuance, the preferred stock could be used as a method of discouraging, delaying or preventing a change in control. Hain's certificate of incorporation authorizes the issuance of up to 5,000,000 shares of blank check preferred stock with such designations, rights and preferences as may be determined from time to time by Hain's board of directors. Although Hain has no present intention to issue any shares of its preferred stock, Hain may do so in the future under appropriate circumstances.

Risks Relating to Spectrum

Consumer preferences for natural, organic and specialty food products are difficult to predict and any decrease in consumer demand for Spectrum's products will adversely impact Spectrum's sales

A significant shift in consumer demand away from Spectrum's products or Spectrum's failure to maintain its current market position could reduce Spectrum's sales or the prestige of its brands in its markets, which could harm Spectrum's business. While Spectrum continues to diversify its product offerings, Spectrum cannot be certain that demand for its products will continue at current levels or increase in the future. Spectrum's business is limited to natural, organic and specialty food products and dietary supplements in markets geared to consumers of those products. If consumer demand for such categories were to decrease, Spectrum's business would be harmed. Consumer trends can change based on a number of possible factors, including new nutritional information, new scientific research, recommendations from influential health practitioners, new pronouncements from governmental agencies and new diets.

Spectrum's markets are highly competitive

The natural food and health food industries in general and the condiment, culinary oil and nutritional supplement businesses in particular, are highly competitive and there are numerous multinational, regional and local firms that currently compete, or are capable of competing, with Spectrum. Spectrum cannot be certain that it could successfully compete for sales to distributors or stores that purchase from larger, more established companies that have greater financial, managerial, sales and technical resources. In addition, Spectrum competes for limited retailer shelf space for Spectrum's products. In the natural foods category Spectrum's principal competitors are private label offerings and Hain. Spectrum competes with numerous brands in the non-organic vegetable oil category including Puritan and Wesson. In the olive oil category, competitors include Colavita, Hain and Dal Raccolto. The nutritional supplement competitors include Health from the Sun and Barleans. Spectrum also faces competition in the natural food condiment market from Eden, Canoleo, Nasoya, Annie's and Braggs and in the non-organic condiments market from Heinz and International Home Foods, which markets Best Foods Mayonnaise.

Competitive factors in the specialty foods industry include price, quality, brand image and flavor. Spectrum positions its product lines to be competitive with prices charged by other organic food marketers. In the future, Spectrum's competitors may introduce other products that compete with its products and these competitive products may have an adverse effect on Spectrum's business, results of operations and financial condition.

Spectrum's products must comply with government regulation

Spectrum and its manufacturers, distributors and co-packers are subject to extensive regulation by federal, state and local authorities that affect its business. The federal agencies governing Spectrum's business include the

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Federal Trade Commission, or the *FTC*, the FDA, the USDA, and the Occupational Safety and Health Administration, or *OSHA*. These agencies regulate, among other things, the manufacture, sale, safety, advertising, handling, storage, transportation, labeling and processing of and ingredients used in Spectrum's products. Under various statutes, these agencies prescribe the requirements and establish the standards for quality, purity and labeling. Among other requirements, the USDA must approve Spectrum's organic food products, including a review of the manufacturing processes and facilities used to produce these products, as well as the labeling of these products, before these products can be marketed in the United States. In addition, advertising of Spectrum's business is subject to regulation by the FTC. Spectrum's activities are also regulated by state agencies as well as county and municipal authorities. Spectrum is also subject to the laws of the foreign jurisdictions in which it manufactures and sells its products. Spectrum utilizes third party food processing facilities that are subject to regulation by various governmental agencies, including state and local licensing, zoning, land use, construction and environmental regulations and various federal, state, and local health, sanitation, immigration, safety and fire codes and standards. Suspension of any licenses or approvals, due to failure to comply with applicable regulations, could interrupt Spectrum's operations, cause a loss of its organic food designation, limit the number of employees working within its facilities or otherwise materially and adversely affect its business.

The USDA has adopted regulations with respect to a national organic labeling and certification program which became effective February 20, 2001, and fully implemented on October 21, 2002. Spectrum currently manufactures approximately 110 organic products which are covered by these new regulations. In addition, Spectrum's nutritional supplements are subject to provisions of the Dietary Supplement Health and Education Act of 1994, or *DSHEA*, which went into effect in March 1999. DSHEA requires specific nutritional labeling requirements for dietary supplements. Future developments in the regulation of labeling of organic foods could require Spectrum to further modify the labeling of its products, which could affect the sales of its products and thus harm its business.

Spectrum is also subject to federal and state laws establishing minimum wages and regulating overtime and working conditions. Furthermore, new government laws and regulations may be introduced in the future that could adversely impact Spectrum's business by raising the cost to manufacture, distribute and deliver its products or by affecting the perceived healthfulness of its products. If Spectrum fails to comply with applicable laws and regulations, it may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on its business, results of operations and financial condition.

Product recalls could have a material adverse effect on Spectrum's business

Manufacturers and distributors of products in the food industry are sometimes subject to the recall of their products for a variety of reasons, including for product defects, such as ingredient contamination, packaging safety and inadequate labeling disclosure. If any of Spectrum's products are recalled due to a product defect or for any other reason, Spectrum could be required to incur the expense of the recall or the expense of any resulting legal proceeding. Additionally, if one of its significant brands were subject to recall, the image of that brand and of Spectrum could be harmed, which could have a material adverse effect on its business.

Product liability suits could have a material adverse effect on Spectrum's business

Food processors are subject to significant liability should the consumption of their products cause injury, illness or death. As a marketer of food products, Spectrum is subject to the risk of claims for product liability. If a product liability claim exceeding Spectrum's insurance coverage were to be successfully asserted against Spectrum, it could harm its business. Although Spectrum maintains product liability insurance, with limits per occurrence of up to \$1,000,000, and generally requires that its co-packers maintain product liability insurance with Spectrum as a co-insured, Spectrum cannot assure you that such coverage will be sufficient to insure against claims which may be brought against it, or that it will be able to maintain such insurance or obtain additional insurance covering existing or new products at reasonable prices, or at all.

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Spectrum relies on independent certification for a number of its natural and specialty food products

Spectrum relies on independent certification, such as certifications of its products as organic and kosher, to differentiate its products in natural and specialty food categories. The loss of any independent certifications could adversely affect Spectrum's market position as a natural and specialty food company, which could harm its business. Spectrum must comply with the requirements of independent organizations or certification authorities in order to label its products as certified. For example, Spectrum can lose its organic certification if a plant becomes contaminated with non-organic materials, or if not properly cleaned after a production run. In addition, all raw materials must be certified organic. Similarly, Spectrum can lose its kosher certification if a plant and raw materials do not meet the requirements of the appropriate kosher supervision organization, such as The Orthodox Union.

Spectrum is highly dependent upon the services of its executive officers

Spectrum is highly dependent upon its ability to hire and retain qualified personnel. There is competition for such personnel, and there can be no assurance that Spectrum will be successful in this regard. Spectrum's operations are also dependent upon the continued services of its executive officers. The loss of the services of any of these executive officers, whether as a result of death, disability or otherwise, would have a material adverse effect upon its business. Spectrum has entered into employment agreements with its Chairman of the Board and its President and Chief Executive Officer. Spectrum has not entered into employment agreements with its other executive officers and does not carry key person life insurance on the lives of any executive officers.

Spectrum relies on independent brokers and distributors for a substantial portion of its sales

Spectrum relies upon sales efforts made by or through non-affiliated food brokers to distributors and other customers. Food brokers act as selling agents representing specific brands on a non-exclusive basis under oral or written agreements generally terminable at any time on 30 days' notice, and receive a percentage of net sales as compensation. Distributors purchase directly for their own account for resale. The loss of, or business disruption at, one or more of these brokers or distributors may harm Spectrum's business. If Spectrum were required to obtain additional or alternative distribution and food brokerage agreements or arrangements in the future, it cannot be certain that it will be able to do so on satisfactory terms or in a timely manner. Spectrum's inability to enter into satisfactory brokerage and distribution agreements may inhibit its ability to implement its business plan or to establish markets necessary to develop its products successfully. In addition, the success of Spectrum's business depends, in large part, upon the establishment and maintenance of a strong distribution network.

Spectrum relies on a few major customers for a significant portion of its sales

One customer, United Natural Foods, Inc., or UNFI, accounted for approximately 42% and 36% of Spectrum's net sales for the years ended December 31, 2004 and 2003, respectively. Four customers accounted for approximately 59% and 58% of Spectrum's revenues for the years ended December 31, 2004 and 2003, respectively. A loss of any of these customers, or decision by such customers to purchase fewer products from Spectrum, would have a material adverse effect on its results of operations. If UNFI or any other customer that sells a significant portion of Spectrum's products were to experience financial difficulties, or otherwise became unable or unwilling to sell Spectrum's products, its business would be harmed. Additionally, any reduction, delay or loss of orders from Spectrum's key customers could harm its revenues in any period or harm its business generally.

Spectrum relies on third parties to manufacture, bottle and warehouse its products and any failure by these third parties to provide an adequate supply of products could harm its business

Spectrum manufactures its flax oil products in a leased facility in Iowa through a strategic alliance with BIOWA Nutraceuticals, LLC, or BIOWA. In addition, Spectrum's bottling, warehousing and distribution are

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conducted in leased facilities owned and operated by Interpac Technologies, Inc., or *Interpac*. In order for Spectrum to successfully maintain and expand its business, its manufacturing, bottling and warehousing facilities must be able to provide it with commercial quantities of its products in compliance with regulatory requirements, at acceptable cost and on a timely basis.

Manufacturing facilities often experience difficulties in scaling up production, including problems with production yields and quality control and assurance. An interruption in or the loss of operations at one or more of these facilities could delay or postpone production of Spectrum's products, which could have a material adverse effect on its business, results of operations and financial condition until Spectrum could secure an alternate source of supply. In addition, if Spectrum's agreements with BIOWA or Interpac are terminated, or if either are unable or unwilling to continue their strategic relationship with Spectrum, its business, results of operations and financial condition would be adversely impacted.

Spectrum relies on independent co-packers to produce and package most of its products

Currently, independent food manufacturers, who are referred to in the natural food industry as co-packers, process and package most of Spectrum's product lines. These product lines include Spectrum's vinegars, condiments, dressings, mayonnaise, shortening, spreads and encapsulated nutritional products. For the fiscal years ended December 31, 2004 and 2003 products manufactured for Spectrum by its primary co-packer represented approximately 9% and 11%, respectively, of its cost of goods sold. The loss of one or more co-packers, Spectrum's failure to retain co-packers for newly acquired products or brands, or any interruption in raw materials supply (caused by factors such as drought, insect infestation or the like), could delay or postpone production of Spectrum's products, which could harm its business until such time as an alternate source could be secured, if at all, which may be on less favorable terms.

Spectrum is subject to risks associated with international sales and operations, including foreign currency risks

Spectrum operates in international markets that expose it to movements in currency exchange rates, which can be volatile at times. The economic impact of currency exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors. These changes, if material, could cause adjustments to Spectrum's financing and operating strategies. During the years ended December 31, 2004 and 2003, approximately 5% and 4%, respectively, of Spectrum's net sales were generated from sales outside the United States.

Spectrum expects net sales from non-core U.S. markets may represent an increasing portion of its total net sales in the future. Spectrum's non-U.S. sales and operations are subject to risks inherent in conducting business abroad, many of which are outside Spectrum's control, including:

- periodic economic downturns and unstable political environments;
- price and currency exchange controls;
- fluctuations in the relative values of currencies;

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- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- compliance with applicable foreign laws; and
- difficulties in collecting accounts receivable and managing distributors.

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Spectrum also purchases significant quantities of raw materials from other countries, which expose it to foreign currency exchange rate risks, particularly with respect to the Euro and Canadian dollar. Spectrum imports significant quantities of olive oil and vinegar from Europe and expeller-pressed canola oil from Canada. Weakness in the United States dollar will cause the costs of these imported raw materials to rise, often far in excess of normal inflationary pressures on raw materials. Spectrum may not be able to pass such cost increases on to its customers, which would lower its gross margin in these product lines. Spectrum expects raw material purchases from foreign countries to increase in the future.

Spectrum's inability to use its trademarks could have a material adverse effect on its business

Spectrum's inability to use its trademarks could have a material adverse effect on its business, results of operations and financial condition. Spectrum's trademarks and brand names are registered in the United States and a number of foreign countries and Spectrum intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. Spectrum also copyrights certain of its artwork and package designs. Spectrum owns the trademarks for its principal brands Spectrum Naturals® and Spectrum Essentials®.

Spectrum believes that brand awareness is a significant component in a consumer's decision to purchase one product over another in the highly competitive organic food industry. Spectrum's failure to continue to sell its products under its established brand names could have a material adverse effect on its business, results of operations and financial condition. Spectrum believes that its trademarks and trade names are significant to the marketing and sale of its products and that the inability to utilize certain of these names could have a material adverse effect on Spectrum's business, results of operations and financial condition.

Spectrum has a limited history of profitability and cannot assure you that its future operating results will not decline

Although Spectrum achieved increased levels of revenues for the years ended December 31, 2004 and December 31, 2003, Spectrum reported limited profitability in many periods during that time. Moreover, at December 31, 2004, Spectrum had an accumulated deficit of \$4,325,000 and working capital of only \$689,000. Future events, including unanticipated expenses, increased price competition, unfavorable general economic conditions or decreased consumer demand for organic food products, could have a material adverse effect on Spectrum's future operating results. There can be no assurance that its revenue growth will continue in the future or that its operations will continue to be profitable.

Spectrum's outstanding indebtedness may adversely affect its cash flow, and failure to comply with restrictions in Spectrum's credit facility may harm its business

Spectrum could not operate its business without its credit facility with its primary lender, Comerica Bank, or *Comerica*, or one similar to it. As of September 30, 2005, Spectrum had debt obligations to Comerica in aggregate principal amount of \$10.3 million. The credit facility is secured by substantially all of Spectrum's assets. Spectrum intends to fulfill its current debt obligations, including repayment of the principal, from cash generated by its operations. If Spectrum is unable to generate sufficient cash from its operations to meet these obligations, including repayment of the principal, Spectrum's operations would be harmed.

In addition, Spectrum's credit facility calls for continued satisfaction of various financial covenants for 2005 and beyond related to profitability levels, debt service coverage, and the ratio of total liabilities to tangible net worth. As of December 31, 2004 and March 31, 2005, Spectrum was in technical default of the liabilities to tangible net worth ratio due to the expenses incurred in 2004 associated with the manufacturing facility relocation. Comerica has granted Spectrum waivers of the covenant violations. As of June 30, 2005 and September 30, 2005, Spectrum was back

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in compliance with these covenants. However, if Spectrum falls back out of compliance with these covenants and if Comerica is unwilling to grant Spectrum future waivers, it will be in technical default of the credit facility and subject to termination by Comerica, which would adversely impact its operations.

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Spectrum may add additional lease lines to finance capital expenditures and may obtain additional long-term debt and lines of credit. If Spectrum issues other debt securities in the future, its debt service obligations will increase further.

Spectrum's indebtedness could have significant additional negative consequences, including, but not limited to:

- requiring the dedication of a substantial portion of Spectrum's expected cash flow from operations to service its indebtedness, thereby reducing the amount of Spectrum's expected cash flow available for other purposes, including capital expenditures;
- increasing Spectrum's vulnerability to general adverse economic and industry conditions;
- limiting Spectrum's ability to obtain additional financing;
- limiting Spectrum's flexibility in planning for, or reacting to, changes in its business and the industry in which it competes; and
- placing Spectrum at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources.

Some of Spectrum's outstanding indebtedness to Comerica features a variable interest rate which may adversely affect Spectrum's profitability and cash flow during periods of high interest rates

All of Spectrum's indebtedness to Comerica features a variable interest rate based on the prime rate or a fixed rate based on LIBOR rates, at the Company's option. Whenever the Federal Reserve Bank raises the federal funds rate, Comerica raises its prime rate the next day by an equal amount. At September 30, 2005 Spectrum had \$4.0 million of its outstanding indebtedness to Comerica locked in at a weighted average LIBOR rate of 5.4%. Therefore, based on the outstanding indebtedness of \$10.3 million at September 30, 2005, each additional 1% increase in the prime rate would cost Spectrum an additional \$63,000 in interest expense on an annual basis.

Spectrum's officers and directors may be able to control its actions

Spectrum's officers and directors beneficially own approximately 63% of its common stock as of November 4, 2005 (assuming the exercise of outstanding stock options or common stock purchase warrants exercisable within 60 days following November 4, 2005). Accordingly, Spectrum's officers and directors are in a position to influence the election of its directors and otherwise control its business affairs and actions.

Spectrum's ability to issue preferred stock may delay or prevent a change in control

Spectrum's amended and restated articles of incorporation authorize the issuance of up to 5,000,000 shares of blank check preferred stock with such designations, rights and preferences as may be determined from time to time by Spectrum's board of directors. Accordingly, under

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Spectrum's amended and restated articles of incorporation, Spectrum's board of directors may issue, without stockholder approval, preferred stock with dividends, liquidation, conversion, voting or other rights which could decrease the value or market price of its common stock and adversely affect the relative voting power or other rights of the holders of its common stock. In the event of issuance, the preferred stock could be used as a method of discouraging, delaying or preventing a change in control. Although Spectrum has no present intention to issue any shares of Spectrum's preferred stock, Spectrum may do so in the future under appropriate circumstances.

Spectrum has not paid dividends in the past and does not expect to pay dividends in the future, and any return on investment may be limited to the value of Spectrum's common stock

Spectrum has never paid cash dividends on its common stock and does not anticipate paying cash dividends on its common stock in the foreseeable future. The payment of dividends on Spectrum's common stock

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will depend on Spectrum's earnings, financial condition and other business and economic factors affecting Spectrum at such time as its board of directors may consider relevant. If Spectrum does not pay dividends, its common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

Substantial future sales of Spectrum's common stock by Spectrum or its existing shareholders could cause the trading price of Spectrum's common stock to fall

Sales by existing shareholders of a large number of shares of Spectrum's common stock in the public market or the perception that additional sales could occur could cause the trading price of Spectrum's common stock to drop. As of September 30, 2005, 28.3 million shares of Spectrum's common stock were eligible for sale under Rule 144 promulgated under the Securities Act.

Spectrum's common stock is quoted on the OTC Bulletin Board, which limits the market liquidity and price of its common stock more than if its common stock were quoted or listed on Nasdaq or a national securities exchange

Spectrum's common stock is currently quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities sponsored and operated by the National Association of Securities Dealers, Inc., but not quoted on Nasdaq. Quotation of Spectrum's common stock on the OTC Bulletin Board limits the liquidity and price of its securities more than if its common stock were quoted or listed on Nasdaq or a national exchange. Lack of liquidity will limit the price at which you may be able to sell Spectrum's common stock or your ability to sell its common stock at all.

If Spectrum's common stock becomes subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in its securities may be adversely affected

If at any time Spectrum has net tangible assets of \$5,000,000 or less and its common stock has a market price per share of less than \$5.00, transactions in Spectrum's common stock may be subject to the penny stock rules promulgated under the Exchange Act. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;
- provide the purchaser with risk disclosure documents that identify certain risks associated with investing in penny stocks and that describe the market for these penny stocks as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a penny stock can be completed.

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If Spectrum's common stock becomes subject to these rules, broker-dealers may find it difficult to effect customer transactions and trading activity in Spectrum's securities may be adversely affected. As a result, the market price of Spectrum's securities may be depressed, and you may find it more difficult to sell its securities.

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FORWARD-LOOKING INFORMATION

Certain of the information relating to Hain and Spectrum contained in this proxy statement/prospectus is forward-looking in nature. All statements included in this proxy statement/prospectus or made by management of Hain or Spectrum other than statements of historical fact regarding Hain or Spectrum are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Examples of forward-looking statements include statements regarding Hain's or Spectrum's future financial results, operating results, business strategies, projected costs, competitive positions and plans and objectives of management for future operations. In some cases, you can identify forward-looking statements by terminology, such as anticipates, believes, continue, estimates, expects, may, plans, predicts, should, will, or would or the negative of these terms or other comparable terminology. Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in the Risk Factors section of this proxy statement/prospectus. These and many other factors could affect the future financial and operating results of Hain or Spectrum. These factors could cause actual results to differ materially from expectations based on forward-looking statements made in this proxy statement/prospectus or elsewhere by or on behalf of Hain or Spectrum.

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THE COMPANIES

Hain

Hain manufactures, markets, distributes and sells natural, organic, specialty and snack food products and natural health and body care products under brand names which are sold as better-for-you products. Hain is a leader in many of the top natural food categories, with such well-known food brands as Celestial Seasonings® teas, Hain Pure Foods®, Westbrae®, Westsoy®, Rice Dream®, Soy Dream®, Imagine®, Walnut Acres Organic®, Ethnic Gourmet®, Rosetto®, Little Bear Organic Foods®, Bearitos®, Arrowhead Mills®, Health Valley®, Breadshop®, Casbah®, Garden of Eatin®, Terra Chips®, Harry's Premium Snacks®, Boston®, Lima®, Biomarche®, Grains Noirs®, Natumi®, Milkfree, Yves Veggie Cuisine®, DeBoles®, Earth's Best®, and Nile Spice®. Hain's principal specialty product lines include Hollywood® cooking oils, Estee® sugar-free products, Boston Better Snacks®, and Alba Foods®. Hain's natural health and body care product line is marketed under the JASON®, Orjene®, Shaman Earthly Organics, Heather®, and Zia® brands.

Hain's products are sold primarily to specialty and natural food distributors and are marketed nationally to supermarkets, natural food stores, and other retail classes of trade including mass-market stores, drug stores, food service channels and club stores.

Hain's overall mission is to be a leading marketer and seller of natural and organic food products and natural personal care products by anticipating and exceeding consumer expectations and providing quality, innovation, value and convenience. Hain's business strategy is to integrate all of its brands under one management team and employ a uniform marketing, sales and distribution program. Hain capitalizes on the brand equity and the distribution achieved through each of its acquired brands with strategic introductions of new product lines that complement existing product lines to enhance revenues and margins. Hain believes that by integrating its various brands, it will achieve economies of scale and enhanced market penetration. Hain considers the acquisition of natural and organic food companies and product lines as an integral part of its business strategy. To that end, Hain does, from time to time, review and conduct discussions with acquisition candidates.

Hain was originally incorporated in Delaware on May 19, 1993, as 21st Century Food Corp.

Merger Sub

Spectrum Organic Products, LLC, or *Merger Sub*, is a wholly owned subsidiary of Hain that was organized in California on September 20, 2005. Merger Sub does not engage in any operations and exists solely to facilitate the merger.

Spectrum

Spectrum competes primarily in three business segments: natural and organic foods under the Spectrum Naturals® brand, essential fatty acid nutritional supplements under the Spectrum Essentials® brand, and industrial ingredients for use by other manufacturers sold under the Spectrum Ingredients name. The vast majority of Spectrum's products are oil-based and Spectrum has positioned itself as The Good Fats Company by differentiating its products from mass market alternatives in the following ways: (1) all raw ingredients used in Spectrum products are certified

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to be free of genetically modified organisms, or *non-GMO*, (2) oils are extracted from the raw ingredients via expeller (mechanical) pressing, (3) oils are only refined when a more neutral-tasting oil is desired or for oils that need to perform well in high heat culinary applications and (4) oils never undergo post-refining.

Within the natural and organic foods segment, Spectrum's products include olive oils and other culinary oils, salad dressings, condiments and butter-substitutes such as Spectrum Organic Margarine® and Spectrum Spread®. All of Spectrum's culinary products feature healthy fats, contain no hydrogenated or trans fats and are offered in a variety of sizes and flavors in both organic and conventional, non-GMO offerings.

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Within the nutritional supplement segment, Spectrum's products include organic flax oils, evening primrose oil, borage oil, Norwegian fish oil and other essential fatty acids in both liquid and capsule forms. The Spectrum Essentials® products are cold-pressed, nutritionally rich sources of Omega-3 and Omega-6 essential fatty acids and are also offered in a variety of sizes and styles.

The Spectrum Ingredients® (formerly known as Spectrum Commodities, Inc.) segment includes organic and conventional non-GMO culinary oils, organic vinegar, condiments and nutritional oils offered to other manufacturers for use in their products. In addition, they bring incremental purchasing power to Spectrum resulting in higher margins for the consumer branded products.

Spectrum was incorporated in California on November 24, 1980.

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THE SPECIAL MEETING OF SPECTRUM SHAREHOLDERS

General

Spectrum is furnishing this proxy statement/prospectus to holders of Spectrum common stock in connection with the solicitation of proxies by Spectrum's board of directors for use at the special meeting of Spectrum shareholders to be held on December 15, 2005, and any adjournment or postponement thereof.

This proxy statement/prospectus is being mailed to Spectrum shareholders on or about November 16, 2005. This proxy statement/prospectus is also being furnished to Spectrum shareholders as a prospectus in connection with the issuance by Hain of shares of Hain common stock as contemplated by the merger agreement.

Solicitation of Proxies and Expenses

Spectrum has retained the services of Georgeson Shareholder Communications to assist in the solicitation of proxies from Spectrum shareholders. The fees to be paid to the firm by Spectrum for these services are estimated by Spectrum to be approximately \$17,500, plus reasonable out-of-pocket expenses. Spectrum will bear its own expenses in connection with the solicitation of proxies for the special meeting of Spectrum shareholders.

In addition to solicitation by mail, the directors, officers and employees of Spectrum may solicit proxies from shareholders by telephone, email, facsimile or in person. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and may be reimbursed for their reasonable expenses incurred in sending proxy materials to beneficial owners.

Voting Rights and Outstanding Shares

Only holders of record of common stock at the close of business on November 4, 2005 will be entitled to notice of and to vote at the special meeting. At the close of business on November 4, 2005, Spectrum had outstanding and entitled to vote 46,444,693 shares of common stock held by 102 holders of record. Spectrum shareholders have one vote per share of Spectrum common stock owned on the record date.

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by votes at the special meeting or by proxy. Votes will be counted by the inspector of election appointed for the special meeting, who will separately count FOR and AGAINST votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner. Abstentions and broker non-votes are counted towards a quorum, and will have the same effect as AGAINST votes.

Revocability of Proxies

Shareholders may revoke their proxies at any time prior to their use:

- by delivering to the secretary of Spectrum a signed notice of revocation or a later-dated, signed proxy; or
- by attending the special meeting and voting in person.

Attendance at the special meeting does not in itself constitute the revocation of a proxy.

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Shareholder Proposals

Spectrum's 2006 annual meeting of shareholders will be held only if the merger is not completed. If the merger is not completed and Spectrum holds a 2006 annual meeting, Spectrum will notify its shareholders of the date of such meeting and the date by which any shareholder proposal must be received by publishing a press release and/or filing such information with the SEC.

Stock Certificates

You should not send in any stock certificates with your proxy card. If the shareholders approve the principal terms of the merger agreement, you will receive a transmittal form as soon as practicable after the effective date of the merger. The transmittal letter will include instructions for the surrender and exchange of shares of Spectrum common stock for shares of Hain common stock.

IMPORTANT

Please mark, sign and date the enclosed proxy and return it at your earliest convenience in the enclosed postage-prepaid return envelope so that, whether you intend to be present at the special meeting or not, your shares can be voted. This will not limit your rights to attend or vote at the special meeting.

Spectrum Proposal: Approval of the Principal Terms of the Merger

At the special meeting, holders of record at November 4, 2005 of Spectrum common stock will be asked to consider and vote to approve the principal terms of the merger by and among Spectrum, Hain and Merger Sub. See *The Merger* for a detailed discussion of the principal terms of the merger.

This vote is a condition to completion of the merger and is required by California law. To approve the principal terms of the merger, the affirmative vote of a majority of the outstanding shares of Spectrum will be required.

Jethren Phillips, the Chairman of the board of directors of Spectrum, has entered into a Voting and Support Agreement (attached as *Annex B* to this proxy statement/prospectus) with Hain pursuant to which he has agreed to vote Spectrum shares representing 40% of the shares entitled to vote at the special meeting in favor of approval of the principal terms of the merger. Mr. Phillips beneficially owns approximately 53% of the outstanding shares of Spectrum common stock.

After careful consideration, Spectrum's board of directors determined, by unanimous vote of directors, that the merger agreement and the merger are fair, advisable and in the best interest of Spectrum and its shareholders and adopted and approved the merger agreement and approved the proposed merger. Spectrum's board of directors recommends, by unanimous vote of directors, that you

vote **FOR** approval of the principal terms of the merger.

Other Matters

No other matters may be brought before the special meeting. Under Spectrum's amended and restated bylaws, business transacted at the special meeting will be limited to the purpose stated in the notice accompanying this proxy statement/prospectus. No other purpose has been stated in the notice accompanying this proxy statement/prospectus.

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THE MERGER

General

This section of this proxy statement/prospectus describes aspects of the proposed merger that are considered to be important. The discussion of the merger in this proxy statement/prospectus and the description of the principal terms of the merger are only summaries of the material features of the proposed merger. Spectrum shareholders can obtain a more complete understanding of the merger by reading the merger agreement, a copy of which is attached to this proxy statement/prospectus as *Annex A*. Spectrum shareholders are encouraged to read the merger agreement and the other annexes to this proxy statement/prospectus in their entirety.

General Description of the Merger

At the effective time of the merger, Spectrum will be merged with and into Merger Sub. Merger Sub will be the surviving company and remain a wholly owned subsidiary of Hain. The separate corporate existence of Spectrum will cease at the effective time of the merger, and Merger Sub will fully assume all of the assets, rights and obligations of Spectrum. In the merger, each share of Spectrum common stock outstanding at the effective time of the merger will automatically be converted into the right to receive a combination of \$0.355 in cash, less the fully-diluted per share portion of any Excess Company Expenses, and shares of Hain common stock worth \$0.355, with cash in lieu of any fractional share. The Hain common stock will be valued based on the average closing sales price of Hain common stock for the ten consecutive business days during which Hain common stock is quoted on Nasdaq, beginning twelve such trading days prior to the date of the closing of the merger. In no event, however, will the Hain common stock be valued at a price higher than \$19.80 per share or less than \$17.424 per share. The fully-diluted per share portion of Spectrum's estimate of the Excess Company Expenses would result in a reduction in the cash portion of the merger consideration of approximately \$0.005 per Spectrum share.

Hain will issue between 877,583 and 997,253 shares of common stock to Spectrum shareholders in the merger, depending on the market price of Hain's common stock during the period prior to the merger. See Certain Terms of the Merger Agreement Manner and Basis of Converting Shares. Spectrum shareholders will own between 2.32% and 2.63% of the outstanding Hain common stock after the merger. Under an agreement that Hain entered with an affiliate of Heinz in September 1999, the affiliate of Heinz has the right to purchase shares of Hain common stock upon completion of the merger to maintain its approximately 16.4% interest in Hain. If the Heinz affiliate exercises this right in full, Hain will issue between 143,924 and 163,550 additional shares of Hain common stock to the Heinz affiliate at the time of the merger and Spectrum shareholders will then own between 2.31% and 2.62% of the outstanding Hain common stock after the merger. The above calculations are based on the number of shares of Hain common stock and Spectrum common stock outstanding on November 4, 2005, and assumes that all Spectrum stock options and warrants with an exercise price that is less than the merger consideration will be exercised, but does not take into account stock options or warrants of Hain.

Background of the Merger

The terms and conditions of the merger agreement and the merger are the result of arm's-length negotiations between representatives of Hain and representatives of Spectrum. Set forth below is a summary of the background of these negotiations:

From time to time, Hain has analyzed various potential acquisition candidates, including Spectrum.

On numerous occasions in his roles as founder, chief executive officer, chairman and significant shareholder of Spectrum, Mr. Phillips has had discussions with senior executives of other food companies and financial investment groups about possible business combinations involving Spectrum. On several occasions, Mr. Phillips had such conversations with Irwin Simon, Chief Executive Officer, President and Chairman of Hain. Messrs. Simon and Phillips have known each other for years from their work in the natural and organic foods

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industry, including meeting at numerous trade shows. In 1998, Messrs. Phillips, Blomquist and Moore met with Mr. Simon and other executives of Hain in San Francisco to discuss the potential acquisition of Spectrum by Hain. The parties could not agree on a price and the discussion ended.

Based on Spectrum's management recommendation, on July 29, 2004, Spectrum's board of directors decided to explore whether conditions were favorable for Spectrum to raise working capital through the sale of a minority equity stake.

During August and September 2004, Spectrum's management contacted twelve different parties with whom Spectrum had an ongoing dialogue, all of whom were already involved in the natural products industry, to see if they were interested in a minority investment in Spectrum.

During October and November 2004, Spectrum executed Non-disclosure and Standstill Agreements, or *NDA*s, with four companies (including Hain) who had indicated a further interest in a possible investment in Spectrum.

On November 16, 2004, Spectrum sent a confidential information memorandum to the four identified potential investors (including Hain).

Three of the four prospects that received the information memorandum expressed interest in learning more about the opportunity. These three parties (including Hain) received additional confidential information, including customized analysis of synergy opportunities resulting from additional availability of capital to Spectrum.

During November and December 2004, Spectrum's management had several telephonic conferences with Hain's management, including a video conference call on December 7. Hain verbally expressed interest in investing only in the branded businesses, Spectrum Naturals and Spectrum Essentials. No business valuation was discussed with Hain or any of the other two potential investors.

After evaluating its strategic alternatives, Spectrum's board of directors recognized the risks related to operating as an independent public enterprise as well as the challenges of raising additional equity capital to support continued growth and profitability. On December 6, 2004, Spectrum's board of directors decided to hire a third party to evaluate its strategic alternatives and to help in a potential sale of a part or all of Spectrum's business and/or to help complete an equity financing for Spectrum.

During the second and third weeks of December 2004, Spectrum's board of directors accepted written proposals from six banking firms and consultants, which were subsequently narrowed to three finalists. At a meeting held on January 11, 2005, the three finalist banking firms delivered presentations to Spectrum's board of directors.

On January 20, 2005, Spectrum's board of directors signed an engagement letter with D.F. Hadley & Co., Inc. to advise Spectrum's board of directors in connection with a potential sale of the company or a potential private placement of Spectrum's securities.

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Beginning on Tuesday, April 5, 2005, D.F. Hadley & Co., Inc., as authorized by Spectrum's management, contacted a group of seventy-eight parties, including Hain, to evaluate their interest in Spectrum. D.F. Hadley & Co., Inc. and Spectrum's management identified these parties based on their involvement in the food industry, past acquisitions, and synergy opportunities, among other reasons. Nineteen parties that were contacted indicated that they were not interested in exploring a transaction with Spectrum and declined to receive any information.

In April and May 2005, D.F. Hadley & Co., Inc. shared a short company summary (containing non-confidential information) with the fifty-nine parties who had indicated an interest in receiving such material. Prior to executing NDAs, forty-two parties that received the short company summary declined to proceed; these parties did not receive any confidential information. Seventeen parties (including Hain) expressed an interest in Spectrum and executed NDAs.

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In the period of May 3 through May 26, 2005, Spectrum distributed a confidential memorandum to the seventeen potential buyers that signed NDAs.

On Thursday, May 12, 2005 and Friday, May 13, 2005, Spectrum's management met with one of the parties that expressed significant interest in acquiring all of the company.

In the period of May 19 through June 7, 2005, five of the seventeen potential buyers submitted written non-binding indications for acquiring Spectrum or one or more of its major business units. Two of the indications failed to offer any premium over Spectrum's current stock price at the respective indication submission date. Three of the five submitted indications were competitive and indicated a willingness to offer a premium over Spectrum's stock price.

During the regular quarterly board of directors meeting on Thursday, May 26, 2005, the board of directors received an update from management and D.F. Hadley & Co., Inc. on the sale process and discussed the one written indication of interest that had been submitted at the time of this meeting. At this point in time, Hain had not submitted a proposal.

On Tuesday, May 31, 2005, members of Hain's executive management met with members of Spectrum's executive management to receive a management presentation on the business, to ask questions and to conduct due diligence.

On Friday, June 3, 2005, Spectrum received a written proposal from Hain indicating a purchase price of \$0.70 per share, 50% in cash and 50% in Hain common stock, subject to due diligence.

In the period of June 17 through June 22, 2005, Spectrum granted confidential data room access to the three most competitive parties (including Hain).

On Wednesday morning, June 15, 2005, Hain adjusted its indication by verbally expressing a willingness, subject to satisfactory due diligence, to acquire 100% of Spectrum's stock in a 50:50 cash and stock transaction for a total consideration of \$0.73 for each share of Spectrum. Hain also indicated that it would be prepared to offer to Spectrum shareholders limited protection against a decline in the price of Hain's stock price between the time that any such deal was reached and the time of the merger. Hain also indicated, again subject to satisfactory due diligence, that it would be prepared to bear certain severance/retention costs and certain transaction closing costs in connection with a possible transaction. In return, Hain requested that Spectrum sign an exclusivity agreement with Hain, which would terminate Spectrum's discussions with other interested parties, to give Hain an opportunity to complete its due diligence and to give the two parties an opportunity to negotiate a mutually acceptable transaction.

On Wednesday afternoon, June 15, 2005, Spectrum's board of directors (excluding Mr. Simone) held a telephonic meeting to discuss Hain's indication and receive an update on two other indications of interest. Mr. Simone, one of Spectrum's directors, did not attend the telephonic meeting because of a potential conflict of interest because he was personally affiliated with one of the third parties that had submitted a competitive bid. After evaluating the indications, Spectrum's board of directors concluded that there was a high degree of risk that a certain one of the three potential buyers would not complete a transaction based on the proposed timing, its due diligence requirements and its decision-making timeline. Spectrum's board of directors concluded that although Hain's indication was the more competitive of the two remaining indications, the other potential buyer should be given a short time to revise its indication. Spectrum's board of directors authorized

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Spectrum's management to execute a limited exclusivity agreement with Hain if the other potential buyer failed to submit a more competitive indication within 24 hours.

On Wednesday late afternoon, June 15, 2005, Spectrum gave the other potential buyer a 24-hour time window to amend its indication and make it more competitive than the one offered by Hain.

On Thursday morning, June 16, 2005, the other potential buyer refused to meet Spectrum's targeted indication and conditions. At this point, the negotiations with this potential buyer were terminated.

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On Thursday afternoon, June 16, 2005, Mr. Phillips on behalf of Spectrum verbally indicated a willingness to proceed on the basis proposed by Hain, subject to the negotiation of a satisfactory exclusivity agreement.

In the period of June 16 through August 23, 2005, Hain conducted a detailed due diligence process. On-site and telephonic meetings and exchanges of documents and other confidential information between the two companies took place, and Spectrum's attorneys continued to discuss and negotiate the details of the draft merger agreement with Hain's attorneys.

On Monday, June 20, 2005, Spectrum's management met with a third party that had made a competitive indication. Shortly afterward, this party indicated a willingness to continue its evaluation of Spectrum, but further indicated it would take up to two months to be in a position to make a definitive proposal.

On Thursday, June 30, 2005, Spectrum signed an exclusivity agreement with Hain until August 15, 2005. The agreement included a commitment by Spectrum that it would not solicit, initiate, encourage, or entertain any offers or proposals from any other third party relating to the acquisition of Spectrum, or participate in any discussion or negotiation regarding any third party proposals or otherwise facilitate in any way any third party proposal, during the exclusivity period.

On Friday, July 1, 2005, Hain's counsel provided Spectrum's counsel with a draft agreement and plan of merger.

On August 12, 2005, Hain informed Spectrum that based on the results of its due diligence examination of Spectrum, it was willing to enter into a definitive agreement with Spectrum with a purchase price of \$0.70 per share. After further negotiation, Hain and Spectrum verbally agreed that if they could resolve outstanding issues in the draft definitive agreement, Hain would pay \$0.71 per share, split 50:50 between cash and Hain common stock.

On August 15, 2005, Hain and Spectrum executed an amendment to their exclusivity agreement extending the exclusivity period to 5:00 p.m. California time on Friday, August 19, 2005.

On August 15, 2005, Hain's board of directors held a telephonic conference call to discuss and evaluate the terms of Hain's proposal, and approved the merger agreement in substantially the form presented.

On August 17, 2005, Spectrum's board of directors met to discuss and evaluate the terms of Hain's proposal.

On August 19, 2005, Spectrum's board of directors met to consider the most recent form of the proposed definitive agreement, and Hain and Spectrum again extended the exclusivity period to 5:00 p.m. California time on Tuesday, August 23, 2005.

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During the period from August 15 to August 21, 2005, as Spectrum finalized certain agreements associated with the proposed transaction (including certain costs related to severance, retention and non-compete agreements), it became clear that such costs would exceed the sums that Hain had previously agreed to assume as part of the transaction. The draft definitive agreements were amended to clarify which costs Hain would assume in the merger and which would be borne by Spectrum shareholders through price adjustment provisions in the draft definitive merger agreement. Based on these discussions, Spectrum's management estimated for its board of directors that the per-share consideration to be received by Spectrum shareholders in the transaction, following adjustment, would be approximately \$0.705 per share, of which approximately \$0.355 per share would be Hain common stock and \$0.350 would be cash.

On Sunday evening, August 21, 2005, Spectrum's board of directors held a telephonic conference call and approved the merger agreement in substantially the form presented. During this conference call, it was noted that the per-share price of approximately \$0.705 per share was less than Hain's verbal indication at the time that the exclusivity agreement had originally been executed. It was also noted, however, that the per share

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consideration in the proposed definitive agreement remained competitive with the indications that had been received from the other parties, and that such parties' indications were also susceptible to being lowered in a diligence and documentation process. Spectrum's board of directors concluded that the proposed transaction, in their view, remained in the best interest of Spectrum and its shareholders.

On August 23, 2005, the parties finalized the merger agreement and related documentation on terms that reflected no material changes from the terms outlined at the Hain and Spectrum board meetings on August 15, 2005, and August 21, 2005, respectively, and the definitive merger agreement was executed by Hain and Spectrum.

On August 23, 2005, Hain and Spectrum publicly announced the execution of the merger agreement.

Reasons for the Merger

The following discussion of the parties' reasons for the merger contains a number of forward-looking statements that reflect the current views of Hain or Spectrum with respect to future events that may have an effect on their future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in "Forward-Looking Information" and "Risk Factors."

Hain's Reasons for the Merger

Hain believes that the merger will, among other things:

- Add a leading manufacturer and marketer in the edible oils and fats category in the natural channel to Hain's existing oils business and brand portfolio. Hain believes Spectrum has one of the most recognizable brands in the edible oils and fats category in the natural channel.
- Expand distribution potential for Spectrum products by optimizing Hain's strong presence in the grocery and mass retail channels. The merger is expected to enable Spectrum's products to access Hain's distribution strengths, allowing for increased penetration in natural foods stores through broader product offerings and greater cross-selling potential through expansion of the sales forces in both the grocery and food service channels.
- Achieve significant operating synergies, including elimination of certain duplicative costs, including: sales/ marketing costs, company-wide operational functions, natural foods and grocery brokerage commissions, public company fees and trade spending.
- Enable Hain to acquire a product portfolio and well-recognized brand in a category that Hain believes will continue to show strong growth, especially in light of the U.S. Department of Agriculture's recently revised food pyramid recommendations. Spectrum's products and brands also fit Hain's strategic focus on natural foods.

However, you should note that achieving these objectives is subject to particular risks which we discuss below in the section Risk Factors.

There can be no assurance that the benefits of the potential growth, synergies or opportunities considered by Hain's board of directors will be achieved through completion of the merger. See Risk Factors.

Spectrum's Reasons for the Merger

Spectrum's board of directors has determined that the terms of the merger and the merger agreement are fair to, and in the best interest of, Spectrum and its shareholders. Spectrum's board of directors consulted with

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senior management, as well as its legal counsel, independent accountants and investment bankers in reaching its decision to approve the merger. Spectrum's board of directors considered a number of factors in its deliberations, including the following:

- the benefits of becoming part of a larger organization with access to greater financial resources, enhanced research and development capabilities and expanded sales and distribution channels;
- the potential to reduce costs through consolidation of purchasing power;
- the opportunity to realize other cost savings by consolidating certain functions and eliminating redundant expenses;
- the opportunity to increase sales through Hain's ability to sell its products to a larger customer base and through additional distribution channels;
- the financial condition, results of operations and business of Hain, including the better prospects of Hain as consolidation continues within the natural and organic products industry;
- the prices paid in comparable transactions involving other natural products companies, as well as the trading performance for comparable companies in the industry;
- the belief of Spectrum's management that additional future consolidation would occur in the industry and that greater critical mass would be required in order to maintain its position as the category leader in culinary oils;
- the belief of Spectrum's management that the prospects of the combined entity were more favorable than the prospects of Spectrum as a separate entity;
- the financial terms of the merger, including the proposed structure as a reorganization within the meaning of Section 368(a) of the Code;
- the high cost of equity capital necessary to re-capitalize Spectrum's business and position it for accelerated growth, which management believed would be highly dilutive;
- the belief of Spectrum's management that continuing as a separate entity was highly risky given the limited cash flow and heavy debt burden of Spectrum;
- the heavily leveraged balance sheet of Spectrum which made the prospects of securing additional debt financing difficult;
- the evaluation of Spectrum's management and investment bankers relating to the due diligence review that was conducted regarding Hain's business;
- the opinion and the accompanying presentation of D.F. Hadley & Co., Inc, investment bankers for Spectrum, to the effect that, as of August 23, 2005, and based upon and subject to the considerations described in its opinion, the price per share provided for

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in the merger was fair from a financial point of view to Spectrum's shareholders; and

- the risks to Spectrum in continuing as a publicly-traded micro-cap company with respect to excessive compliance and corporate governance costs in the wake of the Sarbanes-Oxley Act of 2002.

The Spectrum board of directors also considered potential negative factors relating to the merger, including:

- the risk that the merger may not be completed in a timely manner, if at all;

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- the potential loss of key Spectrum employees critical to the ongoing success of Spectrum's business and to the successful integration of the two companies;
- the possibility of cultural conflicts;
- the potential difficulties associated with integration of each company's products, networks and technologies;
- the risk that the new entity will be unable to recruit employees critical to the ongoing success of the combined company's operations; and
- the other risks and uncertainties discussed above under Risk Factors.

The foregoing discussion of the items that the Spectrum board of directors considered is not intended to be exhaustive, but includes all material items that the Spectrum board of directors considered. In light of the complexity and wide variety of factors, both positive and negative, that the Spectrum board of directors considered, the Spectrum board of directors did not find it practical to quantify, rank or otherwise weight the factors considered. In considering the various factors, individual members of the Spectrum board of directors considered all of these factors as a whole and concluded that, on balance, the benefits of the merger to Spectrum and its shareholders far outweighed the risks.

Recommendation of Spectrum's Board of Directors

After careful consideration, the Spectrum board of directors determined, by unanimous vote, that the proposed merger is fair to, and in the best interest of, Spectrum and its shareholders. **The Spectrum board of directors recommends, by unanimous vote, that Spectrum shareholders vote FOR the approval of the principal terms of the merger.**

Opinion of Spectrum's Financial Advisor

On July 6, 2005, Spectrum requested D.F. Hadley & Co., Inc. to render an opinion as to the fairness, from a financial point of view, of the merger consideration to be received by Spectrum's shareholders in the proposed merger with Hain. Such request was made pursuant to the engagement agreement between Spectrum and D.F. Hadley & Co., Inc., dated January 20, 2005. See *Annex C* for the full text of the opinion.

On August 23, 2005, D.F. Hadley & Co., Inc. delivered to Spectrum's board of directors its opinion that as of that date, subject to the assumptions, qualifications and limitations set forth in the full text of the opinion, the merger consideration to be received by Spectrum's shareholders was fair from a financial point of view to the shareholders of Spectrum. The merger consideration was determined through negotiations between Spectrum and Hain management. D.F. Hadley & Co., Inc.'s opinion was provided for the information and assistance of Spectrum's board of directors in connection with its consideration of the merger.

The following should be considered in regard to the opinion rendered by D.F. Hadley & Co., Inc.:

- The following description of the D.F. Hadley & Co., Inc. opinion is qualified by reference to the full opinion attached to this proxy statement/prospectus as *Annex C*. The full opinion sets forth, among other things, the assumptions, qualifications and the limitations on the review undertaken by D.F. Hadley & Co., Inc.;
- D.F. Hadley & Co., Inc. 's opinion was prepared for the information of Spectrum 's board of directors in connection with its evaluation of the merger. It is not intended to be and does not constitute a recommendation to any Spectrum shareholder as to how that shareholder should vote, or take any other action, with respect to the approval of the principal terms of the merger;

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- D.F. Hadley & Co., Inc. s opinion does not address the relative merits of the merger and the business strategies that Spectrum s board of directors has considered, or may have been considering, nor does it address the decision of Spectrum s board of directors to proceed with the merger;
- D.F. Hadley & Co., Inc. s opinion was necessarily based upon market, economic and other conditions that were in effect on, and information made available to D.F. Hadley & Co., Inc. as of, the date of the opinion. Subsequent developments may affect the conclusion expressed in D.F. Hadley & Co., Inc. s opinion, and D.F. Hadley & Co., Inc. disclaims any undertaking or obligation to advise any person of any change in any matter affecting its opinion which may come or be brought to D.F. Hadley & Co., Inc. s attention after the date of its opinion; and
- D.F. Hadley & Co., Inc. s opinion was limited to the fairness, from a financial point of view as of August 23, 2005, of the merger consideration to be received by Spectrum s shareholders.

In connection with the preparation of D.F. Hadley & Co., Inc. s opinion, D.F. Hadley & Co., Inc.:

- Reviewed the terms and conditions set forth in the merger agreement and the voting agreement;
- Reviewed Spectrum s Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2002, 2003 and 2004, its Quarterly Reports on Form 10-Q for the periods ended March 31, 2005 and June 30, 2005, its unaudited internal financial reports for the period ended July 31, 2005 and its Current Reports on Form 8-K for the three years ended the date hereof;
- Reviewed Hain s Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended June 30, 2002, 2003 and 2004, its Quarterly Reports on Form 10-Q for the periods ended September 30, 2004, December 31, 2004 and March 31, 2005, and its Current Reports on Form 8-K for the three years ended the date hereof;
- Reviewed certain operating and financial information relating to Spectrum s and Hain s business and prospects. This information included projections for the five years ended December 31, 2009 for Spectrum prepared by Spectrum s management;
- Reviewed publicly available research analyst projections for the two years ended June 30, 2007 for Hain and reviewed and discussed such projections with the management of Hain;
- Met with certain members of Spectrum and Hain senior management to discuss each entity s respective businesses, operations, historical and projected financial results and future prospects;
- Reviewed the historical prices, trading multiples and trading volumes of the common stock of each of Spectrum and Hain;
- Reviewed publicly available financial data, stock market performance data and trading multiples of companies which D.F. Hadley & Co. Inc. deemed generally comparable to each of Spectrum and Hain;
- Reviewed the publicly available terms of recent mergers and acquisitions of companies which D.F. Hadley & Co., Inc. deemed generally comparable to Spectrum; and

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- Conducted such other studies, analyses, inquiries and investigations as D.F. Hadley & Co., Inc. deemed appropriate.

For purposes of rendering its opinion, D.F. Hadley & Co., Inc.:

- Relied upon the accuracy and completeness of the information provided by Spectrum, including information furnished orally or otherwise discussed with the management of Spectrum or publicly

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available, and D.F. Hadley & Co., Inc. neither attempted to verify, nor assumed responsibility for verifying, any of such information;

- Did not obtain or make any independent evaluation or appraisal of the properties, assets or liabilities, including audits provided by accountants;
- Assumed that all material governmental, regulatory or other consents and approvals necessary for consummation of the transaction contemplated by the merger agreement will be obtained without any adverse effect on the expected benefits of the transaction;
- Assumed that the merger will be consummated upon the terms set forth in the merger agreement without material alteration thereof, including, among other things, that the merger will be treated as a reorganization;
- Assumed that the historical financial statements of each of Spectrum and Hain have been prepared and fairly presented in accordance with accounting principles generally accepted in the United States, or *U.S. GAAP*, consistently applied;
- Assumed that the merger consideration will not be reduced as a result of indemnification, escrow, purchase price adjustment or other provisions of the merger agreement, except for expenses that result in a total per share consideration of approximately \$0.705.

D.F. Hadley & Co., Inc. has expressed no opinion as to:

- Any tax or other consequences that might result from the merger;
- What the value of Hain common stock will be when issued to Spectrum's shareholders pursuant to the merger; and
- Any legal or accounting matters as to which D.F. Hadley & Co., Inc. understands that Spectrum obtained such advice as it deemed necessary from qualified professionals.

D.F. Hadley & Co., Inc. relied as to all legal matters relevant to rendering its opinion on the advice of counsel.

The following is a summary of the material financial analyses performed by D.F. Hadley & Co., Inc. in connection with rendering its opinion. This summary is not a complete description of all of the analyses performed by D.F. Hadley & Co., Inc. Some of the information in this section is presented in tabular form. In order to better understand the financial analyses performed by D.F. Hadley & Co., Inc., you must read the tables together with the text accompanying each table. The opinion is based upon the totality of the various analyses performed by D.F. Hadley & Co., Inc. and no particular portion of the analyses has any merit standing alone.

Comparable Company Analysis

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Using publicly available information, D.F. Hadley & Co., Inc. analyzed, among other things, the aggregate value as a multiple of revenue and earnings before interest, taxes, depreciation and amortization, or *EBITDA*, of the following selected publicly traded companies that D.F. Hadley & Co., Inc. believed to be reasonably comparable to Spectrum:

- Dean Foods Co.
- The Hain Celestial Group, Inc.
- Hansen Natural Corp.

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- Hormel Foods Corp.
- The J.M. Smucker Co.
- McCormick & Co., Inc.
- NBTY, Inc.
- Nutraceutical International Corp.
- Natrol, Inc.
- SunOpta, Inc.

For purposes of these analyses, D.F. Hadley & Co., Inc. used publicly available revenue and EBITDA for the last twelve months, or *LTM*, and closing stock prices as of August 15, 2005, for each of Spectrum and the comparable companies included. As set forth in the following table, applying a range of multiples for the selected publicly traded companies using Spectrum's revenue and EBITDA for the trailing twelve months ended June 30, 2005 resulted in the following ranges of implied enterprise values for Spectrum:

	LTM		Valuation	
	Revenue	EBITDA	Revenue	EBITDA
	(\$ in millions)			
Lowest	0.6x	6.4x	\$ 31.2	\$ 12.2
Mean	1.4x	11.8x	\$ 72.8	\$ 22.5
Highest	4.2x	18.2x	\$ 218.4	\$ 34.6

For purposes of these analyses, D.F. Hadley & Co., Inc. used LTM EBITDA as adjusted, as reported by Spectrum, which includes an adjustment for manufacturing facility relocation of \$1,565,300. The implied enterprise value of Spectrum was determined by the range of trailing revenue and EBITDA multiples of the comparable company universe. D.F. Hadley & Co., Inc. has made adjustments to the comparable companies trailing EBITDA that it considered appropriate and relevant for comparison purposes. Such adjustments included asset impairment charges, restructuring charges, merger and integration costs, gain on sale of businesses and other special one-time charges.

D.F. Hadley & Co., Inc. believes that the implied valuations as multiples of EBITDA are far more relevant than the implied valuations as multiples of revenue. The companies in question have widely varying business characteristics and profit margins, for example, which lead to varying revenue multiples even if EBITDA multiples are constant. There is far less variability in the EBITDA multiples than in the revenue multiples.

Mergers and Acquisitions Comparables Analysis

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Using publicly available and other information, D.F. Hadley & Co., Inc. analyzed, among other things, the aggregate value as a multiple of revenue and EBITDA of selected merger and acquisition transactions that D.F. Hadley & Co., Inc. believed to be reasonably comparable to the transaction between Spectrum and Hain. The following is a list of all transactions used for this analysis. Revenue and/or EBITDA multiples were not available on all transactions.

Date	Target	Acquirer
Organic & All-Natural Transactions		
Jun-03	Horizon Organic Holdings	Dean Foods Co.
Jun-03	Acirca, Inc.	The Hain Celestial Group, Inc.
Dec-02	Imagine Foods	The Hain Celestial Group, Inc.
Jul-00	Lightlife Foods	ConAgra, Inc.
May-00	Celestial Seasonings Inc.	The Hain Food Group, Inc.
Nov-99	Worthington Foods	Kellogg
Sep-99	investment in The Hain Food Group, Inc.	H.J. Heinz Company
May-99	Natural Nutrition Group	The Hain Food Group, Inc.

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Date	Target	Acquirer
Conventional Branded Edible Oils Transactions		
Mar-04	<i>Mazola and Capullo (Mexico)</i>	Associated British Foods
Apr-02	Unilever brands (principally <i>Mazola</i>)	ACH Food Companies
Oct-01	<i>JIF</i> and <i>Crisco</i> brands	J.M. Smucker
All-Natural/Specialty Oils Ingredient Companies		
Sep-04	Organic Ingredients, Inc.	SunOpta Inc
Mar-04	Organic Ingredients Inc.	Mr. Joseph Stern
Feb-03	SunPure	Kerry Group
Oct-02	Opta Food Ingredients	Stake Technology Ltd.
Aug-02	Loders Croklaan	IOI Corporation
Apr-02	Spectrum s (Organic Ingredients Division)	Acirca, Inc.
Nutritional Foods Transactions		
Apr-04	Leiner Health Products	Golden Gate Capital Inc.
Jul-03	Century Foods International	Hormel Foods
Jul-03	Bariatric Products International	Nellson Nutraceutical
Oct-02	Nellson Nutraceutical, Inc.	Freemont Partners
Nutritional Supplements Transactions		
Jan-05	Solgar	NBTY, Inc.
Jan-05	Sisu, Inc.	NBTY, Inc.
Oct-04	EAS Inc.	Abbott Laboratories
Apr-04	Natural Balance, Inc.	Nutraceutical Int l
Oct-03	Twinlab Corp.	Ideasphere
Jul-03	Zone Perfect	Abbott Laboratories
Jun-03	Rexall Sundown, Inc.	NBTY, Inc.
Jun-03	M.K. Health Food Distributors	Nutraceutical Int l
Dec-01	<i>Knox</i> (Kraft)	NBTY, Inc.
May-01	Global Health Sciences	NBTY, Inc.
May-01	NatureSmart (Whole Foods)	NBTY, Inc.
Oct-99	Prolab Nutrition, Inc.	Natrol, Inc.
Feb-99	<i>Health from the Sun</i>	Arkopharma

As set forth in the following table, applying a range of multiples for the selected merger and acquisition comparable transactions using Spectrum s revenue and EBITDA for the trailing twelve months ended June 30, 2005 resulted in the following ranges of implied enterprise values for Spectrum:

	Multiples		Implied Valuation	
	Revenue	EBITDA	Revenue	EBITDA
	(\$ in millions)			
Lowest	0.9x	6.8x	\$ 45.9	\$ 12.9
Mean	1.1x	9.4x	\$ 58.3	\$ 17.8
Highest	1.6x	16.4x	\$ 83.8	\$ 31.2

D.F. Hadley & Co., Inc. believes that the implied valuations as multiples of EBITDA are far more relevant than the implied valuations as multiples of revenue. The companies in question have widely varying business characteristics and profit margins, for example, which lead to widely varying revenue multiples even if EBITDA multiples are constant. There is far less variability in the EBITDA multiples than in the revenue multiples.

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Other Factors

In rendering its opinion, D.F. Hadley & Co., Inc. considered other factors and conducted other analyses, including transaction valuation of Spectrum in relationship to Hain's current trading valuation, Spectrum and Hain's capitalization and historical stock trading performance, Hain's history of acquisitions and the potential cost synergies on the combined company estimated by Spectrum's management.

No company, business or transaction compared in any of the above analyses is identical to Spectrum or the proposed merger. Accordingly, an analysis of the results of the foregoing is not entirely mathematical. Rather, an analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading, mergers and acquisitions and other values of comparable companies, precedent transactions or the business segment, company or transaction to which they are being compared. In addition, various analyses performed by D.F. Hadley & Co., Inc. incorporate projections prepared by Wall Street analysts using only publicly available information. These projections may or may not be accurate.

While this summary describes the analyses and factors that D.F. Hadley & Co., Inc. deemed material in its presentation to the Spectrum board of directors, it is not a comprehensive description of all analysis and factors considered by D.F. Hadley & Co., Inc. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, D.F. Hadley & Co., Inc. did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, D.F. Hadley & Co., Inc. believes that its analysis must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading or incomplete view of the evaluation process underlying its opinion. Several analytical methodologies were employed and no one method of analysis should be regarded as critical to the overall conclusion reached by D.F. Hadley & Co., Inc. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The conclusion reached by D.F. Hadley & Co., Inc. is based on all analyses and factors taken as a whole and also on the application of D.F. Hadley & Co., Inc.'s own experience and judgment. This conclusion may involve significant elements of subjective judgment and qualitative analysis. D.F. Hadley & Co., Inc. expresses no opinion as to the value or merit standing alone of any one or more parts of the analyses it performed. In performing its analyses, D.F. Hadley & Co., Inc. made numerous assumptions with respect to industry performance, general business and other conditions and matters, many of which are beyond the control of Spectrum, Hain or D.F. Hadley & Co., Inc. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Accordingly, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which these businesses actually may be sold in the future, and these estimates are inherently subject to uncertainty.

Spectrum paid D.F. Hadley & Co., Inc. a professional fee in connection with its preparation for and issuance of the fairness opinion, which is attached to this proxy statement/prospectus as *Annex C*. D.F. Hadley & Co., Inc. invoiced Spectrum based upon the progression of work performed and no portion of the aggregate professional fee paid to D.F. Hadley & Co., Inc. was contingent upon consummation of the merger or the tenor of the conclusions reached in the opinion issued by D.F. Hadley & Co., Inc. Spectrum has also agreed to reimburse D.F. Hadley & Co., Inc. for its reasonable out-of-pocket expenses and to indemnify D.F. Hadley & Co., Inc. against liabilities incurred. These include liabilities under the federal securities laws in connection with the engagement of D.F. Hadley & Co., Inc. by Spectrum's board of directors.

Spectrum's board of directors selected D.F. Hadley & Co., Inc. due to its expertise in the natural foods industry, its ability to dedicate significant resources to the Spectrum assignment and its proposed fee structure.

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Interests of Spectrum's Officers and Directors in the Merger

Upon completion of the merger, based on the number of shares of common stock of Hain and Spectrum outstanding on November 4, 2005, assuming that all Spectrum stock options and warrants with an exercise price that is less than the merger consideration are exercised, but without taking into account stock options or warrants of Hain and assuming that the Heinz affiliate does not exercise its right to purchase Hain shares, it is anticipated that the directors and executive officers of Spectrum and their affiliates will beneficially own between 1.50% and 1.70% of the then outstanding shares of Hain common stock, calculated on the basis set forth under the heading Security Ownership by Certain Beneficial Owners of Spectrum, depending on the market price of Hain's common stock during the period prior to the merger.

Prior to the completion of the merger, Spectrum shall take all requisite action so that each option, whether or not exercisable or vested, without any action by Spectrum or the option holder, shall be converted into the right to receive the excess of the merger consideration over the per share exercise or purchase price of the option times the number of shares of Spectrum common stock in respect of such options. See Certain Terms of the Merger Agreement Spectrum Stock Options and Warrants for a description of the treatment of outstanding Spectrum stock options and warrants upon completion of the merger.

Under Spectrum's 1995 Stock Option Plan, if a change in control of Spectrum occurs, an option or other award will become fully exercisable and fully vested following a merger.

Spectrum has entered into indemnification agreements with its directors and executive officers containing provisions that may require Spectrum to, among other things:

- indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of a culpable nature;
- advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified; and
- maintain directors' and officers' insurance if available on reasonable terms.

In addition, Hain has agreed to cause Spectrum to continue to honor and maintain certain indemnification arrangements in favor of the current officers and directors of Spectrum for a period of six years. Spectrum's officers and directors would benefit from this agreement, since after the merger, Hain may be in a stronger position to honor any potential indemnification claims than Spectrum might have been without having completed the merger.

The current officers and directors of Spectrum will also be covered by directors' and officers' insurance to be obtained by Hain, with aggregate premiums not to exceed 200% of the annual amount that Spectrum paid in its last full fiscal year. The continuation of this coverage would benefit Spectrum's officers and directors and protect them from potential future losses that will be covered by such insurance.

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In addition, in connection with the Merger Agreement, Neil Blomquist, Spectrum's President, Chief Executive Officer, entered into a Severance Agreement with Spectrum (attached as *Annex F* to this proxy statement/prospectus) and a Non-Competition Agreement with Hain (attached as *Annex E* to this proxy statement/prospectus). Mr. Blomquist will be paid \$150,000 for his services under the Severance Agreement, and will be paid \$200,000 in consideration his performance under the Non-Competition Agreement. Other executive officers of Spectrum (excluding Mr. Blomquist) may also receive severance benefits from the surviving entity following the merger in the event that their employment is terminated for certain reasons following the merger.

Spectrum also has agreed to assign to Mr. Phillips its whole life insurance policy (including any cash surrender value) on Mr. Phillips' life.

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As a result of the foregoing, the directors and executive officers of Spectrum may be more likely to vote for the approval of the principal terms of the merger than Spectrum shareholders generally.

Spectrum Directors and Officers After Completion of the Merger

Upon completion of the merger, the managers of Merger Sub will be the managers of the surviving company of the merger. None of the current directors of Spectrum will remain in such positions following completion of the merger. Although Hain is still determining its needs and formulating its plans, it expects that some officers of Spectrum may remain in their positions following completion of the merger. Mr. Blomquist will provide certain services to the surviving entity following completion of the merger pursuant to the Severance Agreement between Mr. Blomquist and Spectrum; see *Interests of Spectrum's Officers and Directors in the Merger*.

Material Federal Income Tax Consequences

The following discussion summarizes certain material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Spectrum common stock. The discussion is based on and subject to the Code, the Treasury regulations promulgated thereunder, administrative rulings and court decisions as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect, and to differing interpretations. The discussion does not address all aspects of U.S. federal income taxation that may be relevant to particular Spectrum shareholders in light of their personal circumstances or to Spectrum shareholders subject to special treatment under the Code, such as, without limitation: banks, thrifts, mutual funds and other financial institutions, tax-exempt organizations and pension funds, insurance companies, dealers or brokers in securities or foreign currency, tax exempt entities, persons subject to the alternative minimum tax, shareholders who hold their shares as part of a straddle, hedging or conversion transaction, partnerships or other pass-through entities or investors in such entities, shareholders whose shares are not held as capital assets within the meaning of Section 1221 of the Code, and shareholders who received their shares through the exercise of employee stock options or otherwise as compensation. In addition, the discussion does not address any federal tax consequences other than income tax (such as estate and gift tax consequences) or any state, local or foreign tax consequences of the merger.

For purposes of this discussion, a U.S. holder means a beneficial owner of Spectrum common stock who is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in the United States or under the laws of the United States or any subdivision thereof;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons has the authority to control all substantial decisions of the trust or (ii) it has a valid election in effect to be treated as a United States person.

This discussion is for general information only and should not be construed as tax advice. It is a summary and does not purport to be a comprehensive analysis or description of all potential U.S. federal income tax consequences of the merger. Each Spectrum shareholder

is urged to consult such shareholder's tax advisor with respect to the particular tax consequences of the merger to such shareholder.

As a condition to the closing of the merger, each of Spectrum and Hain must receive from its respective counsel an opinion that, for U.S. federal income tax purposes, the merger will qualify as a reorganization under

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Section 368(a) of the Code. Each tax opinion will rely on certain representations made by Spectrum and Hain. Furthermore, each tax opinion will be subject to certain assumptions, limitations and qualifications. If any of the foregoing representations or assumptions is inconsistent with the actual facts, the U.S. federal income tax treatment of the merger could be adversely affected. In addition, no ruling from the U.S. Internal Revenue Service, or the *IRS*, with respect to the tax consequences of the merger has been, or will be, requested. The tax opinions are not binding on the IRS or the courts, and it is possible that the IRS could assert a contrary position and that a court could sustain that position.

Assuming that the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the merger will have the following U.S. federal income tax consequences to shareholders who exchange their Spectrum common stock for Hain common stock and cash:

- Spectrum shareholders will recognize gain, but not loss, realized in the merger (if any) but only to the extent such gain does not exceed the amount of cash received (other than any cash received in lieu of fractional shares). The amount of gain realized by a Spectrum Shareholder in the merger will equal the excess of the sum of the fair market value of the Hain common stock received (including any fractional shares for which cash will be received) as of the effective time of the merger plus the amount of cash received (other than any cash received in lieu of fractional shares) over the holder's tax basis in the Spectrum common stock exchanged therefor. Any such gain generally will be capital gain, and generally will be long-term capital gain if the Spectrum common stock has been held for more than one year at the time of the merger. The amount and character of gain or loss will be computed separately for each block of Spectrum common stock held by the holder. A Spectrum shareholder will not be permitted to net any gain recognized on a block of shares with any loss realized on a separate block of shares;
- The tax basis of Hain common stock received in the merger (including any fractional shares for which cash will be received) by a Spectrum shareholder will be the same as the tax basis of the Spectrum common stock exchanged therefor, reduced by any cash received in the merger (other than any cash received in lieu of fractional shares), and increased by any gain recognized on the exchange of such Spectrum common stock in the merger (excluding any gain resulting from the receipt of cash in lieu of fractional shares as described below);
- The holding period for the Hain common stock received in the merger by a Spectrum Shareholder (including fractional shares for which cash will be received) will include the period during which the holder held the Spectrum common stock exchanged therefor; and
- Spectrum shareholders who receive cash in lieu of fractional shares of Hain common stock will be treated as if the fractional shares were issued and then immediately redeemed for cash in a separate transaction. As a result, such shareholders will recognize gain or loss equal to the difference between the amount of cash received and the basis of the Spectrum common stock deemed exchanged therefor. Such gain or loss generally will be capital gain or loss, and generally will be long-term capital gain or loss if the Spectrum common stock has been held for more than one year at the effective time of the merger. The deductibility of capital losses is subject to limitation.

Holders of Spectrum common stock who exercise dissenters' rights will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis of the shares of Spectrum common stock exchanged. The amount and character of gain or loss will be computed separately for each block of Spectrum common stock held by the holder. Any recognized gain or loss generally will be capital gain or loss and generally will be long term if, as of the date of the merger, the shareholder has held the shares of Spectrum common stock for more than one year. The deductibility of capital losses is subject to limitation.

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Backup Withholding; Information Reporting

Under U.S. federal income tax laws, the exchange agent will generally be required to report to a Spectrum shareholder and to the IRS any payments made to a Spectrum shareholder in exchange for Spectrum common stock in the merger, and may be required to backup withhold 28% of any such payment. To avoid such backup withholding, a Spectrum shareholder should provide the exchange agent a properly completed Substitute Form W-9, signed under penalties of perjury, including such shareholder's current Taxpayer Identification Number, or TIN, and other certifications. If the Spectrum shareholder does not provide the exchange agent with a TIN and other required certifications, the exchange agent will backup withhold 28% of payments made to the shareholder (unless the shareholder is an exempt recipient as described in the next sentence and demonstrates this fact) and the shareholder may be subject to a \$50 penalty imposed by the IRS. Certain Spectrum shareholders (including, among others, corporations) are exempt from these backup withholding and reporting requirements. Exempt holders who are not subject to backup withholding should indicate their exempt status on a Substitute Form W-9 by entering their correct TIN, marking the appropriate box and signing and dating the Substitute Form W-9 in the space provided.

Accounting Treatment

For purposes of financial reporting, the merger will be accounted for as a purchase.

Regulatory Approvals

Hain and Spectrum believe that the merger is not subject to the reporting obligations and statutory waiting period of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or any other applicable law or regulation. However, at any time before or after the completion of the merger, either the Antitrust Division of the Department of Justice or the Federal Trade Commission could take any action under U.S. antitrust laws as it deems necessary or desirable, including seeking to enjoin the completion of the merger or seeking the divestiture of substantial assets of Hain or Spectrum. Private parties and state attorneys general may also bring actions under U.S. or state antitrust laws depending on the circumstances.

Restrictions on Resales by Affiliates

The shares of Hain common stock to be received by Spectrum shareholders in the merger will have been registered under the Securities Act and, except as described in this paragraph, may be freely traded without restriction. The shares of Hain common stock to be issued in the merger and received by persons who may be considered to be affiliates, as that term is defined in Rule 144 under the Securities Act, of Spectrum before the merger may be resold by them only in transactions permitted by the resale provisions of Rule 145 under the Securities Act, or as otherwise permitted under the Securities Act. The merger agreement provides that Spectrum will use all reasonable efforts to obtain a signed affiliate agreement in favor of and for the benefit of Hain from all persons who may be considered affiliates of Spectrum. The affiliate agreements will provide that these persons will not sell, transfer or otherwise dispose of any shares of Hain common stock at any time in violation of the Securities Act, or the rules and regulations promulgated under the Securities Act, including Rule 145.

Rights of Dissenting Spectrum Shareholders

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Spectrum shareholders may be entitled to certain dissenters' rights if they perfect their rights in accordance with Chapter 13 of the CGCL, or *Chapter 13*. Relevant excerpts of Chapter 13 are included as *Annex G* to this proxy statement/prospectus. In order to exercise dissenters' rights, Spectrum shareholders must strictly follow the procedures set forth in Chapter 13.

The following discussion is not a complete statement of the law relating to dissenters' rights and is qualified in its entirety by reference to *Annex G*. This discussion and *Annex G* should be reviewed carefully by any Spectrum shareholder who wishes to exercise dissenters' rights or who wishes to preserve the right to do so,

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since failure to comply with the procedures prescribed in Chapter 13 will result in the loss of dissenters' rights under Chapter 13. Holders of options to purchase shares of Spectrum common stock will not be entitled to dissenters' rights in connection with the merger by virtue of holding options. The Spectrum shareholder who has entered into a voting agreement has waived such statutory rights. We advise any Spectrum shareholder considering exercising dissenters' rights to consult independent legal counsel.

In order to exercise dissenters' rights under Chapter 13, a Spectrum shareholder must be entitled to vote on the proposal to approve the principal terms of the merger, or be a transferee of record of shares held by such a shareholder. Under Chapter 13, dissenters' rights can only be exercised with respect to shares of Spectrum common stock that are outstanding on the record date for the determination of Spectrum shareholders entitled to vote on the principal terms of the merger.

If the merger is consummated, those Spectrum shareholders who elect to exercise their dissenters' rights and who in a timely and proper fashion perfect such rights will be entitled to receive the fair market value of their shares in cash. Fair market value would be determined as of August 22, 2005, the day before the first announcement of the principal terms of the merger, and therefore would not include any appreciation or depreciation caused by the merger.

In order to qualify for dissenters' rights, a Spectrum shareholder must not vote in favor of approval of the principal terms of the merger and must make a written demand on Spectrum within 30 days after Spectrum mails to its shareholders the notice of approval of the principal terms of the merger. Abstentions and broker non-votes will not be considered votes in favor of approval of the principal terms of the merger and the affected shareholders may still perfect dissenters' rights. A vote not in favor of approval of the principal terms of the merger without written demand will not be sufficient to satisfy the notice requirement under Chapter 13 necessary to protect dissenters' rights.

If the principal terms of the merger are approved, within 10 days after the special meeting of Spectrum shareholders, Spectrum will mail to any shareholder who did not vote for the approval of the principal terms of the merger a notice that the required shareholder approval of the principal terms of the merger was obtained. This notice of approval will state the price determined by Spectrum to represent the fair market value of any dissenting shares and a brief description of the procedures to be followed by dissenting shareholders who wish to pursue further their statutory rights. The statements in the notice of approval will constitute an offer by Spectrum to purchase from its shareholders any dissenting shares at the price stated, but only if the merger is consummated. However, the determination by Spectrum of fair market value is not binding on its shareholders. The dissenting shareholder must deliver his or her share certificate for receipt by Spectrum within 30 days after the date on which the notice of approval was mailed to the shareholder. Spectrum will stamp or endorse the certificate with a statement that the shares are dissenting shares and return it to the dissenting shareholder.

A Spectrum shareholder who desires Spectrum to purchase his/her/its shares must send a written demand to Spectrum at its principal executive offices, 5341 Old Redwood Highway, Suite 400, Petaluma, California 94954, Attention: President and Chief Executive Officer. A written demand for appraisal must reasonably inform Spectrum of the identity of the shareholder of record making the demand and that the shareholder intends to demand appraisal of the shareholder's shares. A demand for appraisal should be executed by or for the Spectrum shareholder of record, fully and correctly, as that shareholder's name appears on the shareholder's stock certificate. If the Spectrum shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand should be executed by the fiduciary. The written demand must state the number and class of shares held of record by such shareholder which the shareholder demands that Spectrum purchase for cash, and it must contain a statement of the amount which the shareholder claims to be the fair market value of the dissenting shares as of the day before announcement of the principal terms of the merger. That statement will constitute an offer by the shareholder to sell his or her dissenting shares to Spectrum at that price.

If the shareholder and Spectrum agree that the shares of Spectrum common stock as to which the shareholder is seeking dissenters' rights are dissenting shares, and also agree upon the price to be paid to

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purchase the dissenting shares, then the dissenting shareholder is entitled to the agreed price with interest thereon at the legal rate on judgments under Chapter 13 from the date of Spectrum's offer to purchase the dissenting shares. Any agreements fixing the fair market value of any dissenting shares between Spectrum and any dissenting shareholder must be filed with the president, chief executive officer and secretary of Spectrum.

If Spectrum denies that the shareholder's shares are dissenting shares under Chapter 13 or Spectrum and a dissenting shareholder do not agree on the other's proposed purchase price, the shareholder has the right for six months following the mailing of the notice of approval of the principal terms of the merger, but not thereafter, to file a complaint in the California Superior Court requesting the court to determine whether the shareholder's shares qualify as dissenting shares that are eligible to be repurchased pursuant to the exercise of dissenters' rights and the fair market value of such shares. If the status of the shares as dissenting shares is in issue, the court will first determine that issue. If the court determines that the shareholder's shares qualify as dissenting shares, the court will then determine the fair market value of the dissenting shares, which could be higher or lower than the amount offered by Spectrum in the notice of approval of the principal terms of the merger or the merger consideration provided for in the merger agreement, and any such determination would be binding on the dissenting shareholder or shareholders involved in the lawsuit and on Spectrum. Any party may appeal from the judgment. However, the court action to determine the fair market value of shares will be suspended if litigation is instituted to test the sufficiency or regularity of the votes of the shareholders in approving the principal terms of the merger. No shareholder who has a right under Chapter 13 to demand a payment for cash for shares will have any right to attack the validity of the approval of the principal terms of the merger except in an action to test whether the number of shares required to approve the principal terms of the merger has been legally voted in favor of approval of the principal terms of the merger.

Dissenting Spectrum shares may lose their status as such if any of the following events occur:

- the merger is abandoned (in which case Spectrum must pay on demand to dissenting shareholders who have initiated proceedings in good faith as provided under Chapter 13 all necessary expenses and reasonable attorneys' fees incurred in such proceedings);
- the dissenting shares are transferred before being submitted to Spectrum for endorsement;
- in the absence of agreement between the dissenting shareholder and Spectrum as to the price of his or her shares, neither Spectrum or the Spectrum shareholder fails to file a complaint or intervenes in a pending action pursuant to Chapter 13 or otherwise fails to become a party to such suit within six months following the mailing of the notice of approval of the principal terms of the merger; or
- the dissenting shareholder withdraws his or her demand with the consent of Spectrum.

The process of dissenting and exercising dissenters' rights requires strict compliance with technical prerequisites. Spectrum shareholders wishing to dissent should consult with independent legal counsel for advice in complying with Chapter 13. Any shareholder who fails to comply with any of the requirements of Chapter 13 will forfeit his, her or its rights to dissent to the approval of the principal terms of the merger.

Right to Purchase Shares of Hain Common Stock by an Affiliate of H.J. Heinz Company

Under an agreement that Hain entered into with an affiliate of Heinz in September 1999, the affiliate of Heinz has the right to purchase shares of Hain common stock upon completion of the merger to maintain its approximately 16.4% interest in Hain. If the Heinz affiliate exercises this

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right in full, Hain will issue between 143,924 and 163,550 additional shares of Hain common stock to the Heinz affiliate at the time of the merger and Spectrum shareholders will then own between 2.31% and 2.62% of the outstanding Hain common stock after the merger. The above calculations are based on the number of shares of Hain common stock and Spectrum common stock outstanding on November 4, 2005, and assumes that all Spectrum stock options and warrants with an exercise price that is less than the merger consideration will be exercised, but does not take into account stock options or warrants of Hain.

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CERTAIN TERMS OF THE MERGER AGREEMENT

The following description of the merger agreement describes certain material terms of the merger agreement. The full text of the merger agreement is attached as *Annex A* to this proxy statement/prospectus and is incorporated herein by reference. Spectrum shareholders are encouraged to read the entire merger agreement.

The Merger

At the effective time of the merger, Spectrum will be merged with and into Hain's wholly owned subsidiary, Merger Sub. Upon completion of the merger, the managers and officers of Merger Sub immediately prior to the merger will become the managers and officers of the surviving company.

Effective Time of the Merger

The merger agreement provides that the merger will become effective when a certificate of merger executed by Spectrum, Merger Sub and Hain is delivered to and filed with the California Secretary of State. It is anticipated that the effective time of the merger will occur as soon as practicable following the special meeting of Spectrum shareholders, unless less than 90% of Spectrum shareholders entitled to vote approve the merger, in which case it is anticipated that the effective time of the merger may be delayed by 30 days.

Manner and Basis of Converting Shares

The merger agreement provides that, at the effective time of the merger, each outstanding share of Spectrum common stock will automatically be converted into the right to receive a combination of cash consideration in the amount of \$0.355, less the fully-diluted per share portion of any Excess Company Expenses, and shares of Hain common stock worth \$0.355. The Hain common stock will be valued based on the average closing sales price of Hain common stock for the ten consecutive business days during which Hain common stock is quoted on Nasdaq, beginning twelve such trading days prior to the date of the closing of the merger. In no event, however, will the Hain common stock be valued at a price higher than \$19.80 per share or less than \$17.424 per share.

No fractional shares of Hain common stock will be issued in the merger. Instead, each Spectrum shareholder otherwise entitled to a fractional share will receive a cash amount, rounded to the nearest whole cent, without interest, based on the closing price of Hain common stock on Nasdaq on the date the merger becomes effective.

If, between the date of the merger agreement and the effective time of the merger, the outstanding shares of Spectrum common stock or Hain common stock are changed into a different number or class of shares by reason of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Hain common stock or Spectrum common stock), extraordinary dividend, reorganization, recapitalization or other similar change with respect to Hain common stock or Spectrum common stock, then the merger consideration shall be appropriately adjusted.

Under the terms of the merger agreement, following the effective time of the merger, Continental Stock Transfer & Trust Company, which has been selected by Hain to act as exchange agent, will mail to each record holder of Spectrum common stock a letter of transmittal and instructions for use, which record holders will use to exchange Spectrum common stock certificates for the merger consideration and cash for any fractional share of Hain common stock. Spectrum common stock certificates should not be surrendered for exchange by Spectrum shareholders before the effective time of the merger.

After the effective time of the merger, transfers of Spectrum common stock will not be registered on the stock transfer books of Spectrum, and each certificate that previously evidenced Spectrum common stock will be deemed to evidence the right to receive the merger consideration and the right to receive cash instead of any fractional share of Hain common stock. Hain will not pay dividends or other distributions on any shares of Hain

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common stock to be issued in exchange for any Spectrum common stock certificate that is not surrendered until the Spectrum common stock certificate is surrendered as provided in the merger agreement. No interest will be payable on the cash component of the merger consideration.

Spectrum Stock Options and Warrants

Hain will not assume any Spectrum stock options as a result of the merger. The outstanding stock options for common stock of Spectrum will be exchanged for the right to the stock option consideration immediately prior to the effective time of the merger. The stock option consideration is the excess, if any, of the merger consideration over the per share exercise or purchase price of the stock option. The payment of the stock option consideration shall be payable in merger consideration consisting of the same proportion of cash consideration and stock consideration as is paid to holders of Spectrum common stock, and any cash in lieu of fractional shares of Hain common stock. All outstanding and unexercised Spectrum stock options, and all Spectrum stock option plans, will terminate at the effective time of the merger.

Hain will not assume any Spectrum warrant as a result of the merger. The outstanding warrants of Spectrum will be exchanged for the right to the warrant consideration immediately prior to the effective time of the merger. The warrant consideration is the excess, if any, of the merger consideration over the per share exercise or purchase price of the warrant. The payment of the warrant consideration shall be payable in merger consideration consisting of the same proportion of cash consideration and stock consideration as is paid to holders of Spectrum common stock, and any cash in lieu of fractional shares of Hain common stock.

Representations and Warranties

The merger agreement contains customary representations and warranties of Spectrum and Hain relating to, among other things, certain aspects of the respective businesses and assets of the parties and other matters. The representations and warranties expire at the effective time of the merger.

Covenants; Conduct of Business Prior to the Merger

Affirmative Covenants of Spectrum. Under the terms of the merger agreement, Spectrum has agreed that before the effective time of the merger it will, among other things, and subject to specified exceptions:

- ensure that Spectrum conducts its operations according to its ordinary course of business consistent with past practice;
- use all commercially reasonable efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it;
- will take no action which would impair the ability of the parties to consummate the merger or the other transactions contemplated by the merger agreement;

- promptly notify Hain of its obtaining actual knowledge that (a) any representation or warranty contained in the merger agreement is untrue or inaccurate in any material respect or (b) any material failure of Spectrum, or of any officer, director, employee or agent of Spectrum, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement;
- promptly notify Hain of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be likely to cause (a) any representation or warranty contained in the merger agreement is untrue or inaccurate in any material respect or (b) any material failure of Spectrum, or of any officer, director, employee or agent of Spectrum, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement;

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- use commercially reasonable efforts (a) to obtain all necessary waivers, consents and approvals from other parties to loan agreements, material leases and certain other material contracts, (b) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, state or foreign law or regulations, (c) to defend all lawsuits or other legal proceedings challenging the merger agreement or the consummation of the transactions contemplated by the merger agreement, (d) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated by the merger agreement, (e) to effect all necessary registrations and filings, including, but not limited to, submissions of information requested by governmental authorities, (f) provide all necessary information for the registration statement and (g) to fulfill all conditions to the merger agreement; and
- provide an unaudited balance sheet and statement of income on a monthly basis, and sales reports on a weekly basis.

Under the terms of the merger agreement, Spectrum has also agreed that its board of directors will recommend that Spectrum shareholders vote to approve the principal terms of the merger. However, at any time before the special meeting, Spectrum's board of directors is entitled to withdraw or modify its recommendation that Spectrum shareholders vote for approval of the principal terms of the merger if certain requirements, including the following, are satisfied:

- the shareholder meeting of Spectrum shall have been held, shareholders of Spectrum shall have voted on approval of the principal terms of the merger and the requisite vote of shareholders was not obtained;
- Spectrum is not then and has not been in breach of any of its obligations under its covenant not to solicit competing offers in any material respect;
- Spectrum's board of directors has determined, after consulting with an independent financial advisor, that such definitive agreement constitutes a superior proposal;
- Spectrum has notified Hain in writing that it intends to enter into such definitive agreement, attaching the most current version of such definitive agreement (including any amendments, supplements or modifications) to such notice; and
- during the eight business day period following Hain's receipt of such notice, (a) Spectrum shall have offered to negotiate with (and, if accepted, negotiated with), and shall have caused its respective financial and legal advisors to offer to negotiate with (and, if accepted, negotiate with), Hain in making such commercially reasonable adjustments to the terms and conditions of the merger agreement as would enable Spectrum to proceed with the merger and the other transactions contemplated by the merger agreement, and (b) Spectrum's board of directors shall have determined, after considering the results of such negotiations and the revised proposals made by Hain, if any, that the superior proposal giving rise to such notice continues to be a superior proposal.

For purposes of the merger agreement, the term *superior proposal* means a takeover proposal (i) which the Spectrum board of directors determines is on terms and conditions materially more favorable from a financial point of view to the Spectrum shareholders than those contemplated by the merger agreement (based on advice received from financial advisors), (ii) the conditions to the consummation of which are all reasonably capable of being satisfied without undue delay, and (iii) for which financing, to the extent required, is then committed or, in the judgment of the Spectrum board of directors, is reasonably likely to be available.

For purposes of the merger agreement, the term *takeover proposal* means any proposal or offer relating to (i) a merger, consolidation, share exchange or business combination involving Spectrum representing 20% or

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more of the assets of Spectrum, (ii) a sale, lease, exchange, mortgage, transfer or other disposition, in a single transaction or series of related transactions, of 20% or more of the assets of Spectrum, (iii) a purchase or sale of shares of capital stock or other securities, in a single transaction or series of related transactions, representing 20% or more of the voting power of the capital stock of Spectrum, including by way of a tender offer or exchange offer, (iv) a reorganization, recapitalization, liquidation or dissolution of Spectrum or (v) any other transaction having a similar effect to those described in clauses (i) - (iv), in each case other than the transactions contemplated by the merger agreement.

Under the terms of the merger agreement, Spectrum's obligation to call, give notice of and hold the special meeting of Spectrum shareholders will not be affected by the commencement, disclosure, announcement or submission of a superior proposal or takeover proposal, or by any withdrawal or modification of the recommendation by Spectrum's board of directors that Spectrum shareholders vote for approval of the principal terms of the merger.

The merger agreement provides that, if Spectrum's board of directors withdraws or modifies its recommendation that Spectrum shareholders vote for approval of the principal terms of the merger, Spectrum may be required to pay Hain a fee in the amount of \$900,000. See Certain Terms of the Merger Agreement Expenses and Termination Fee.

Negative Covenants of Spectrum. Under the terms of the merger agreement, Spectrum has agreed that before the effective time of the merger, without the prior written consent of Hain and subject to specified exceptions, it will not and will not permit any of its subsidiaries to:

- amend its amended and restated articles of incorporation or amended and restated by-laws;
- authorize for issuance, issue, sell, deliver, grant any warrants, options or other rights for, or otherwise agree or commit to issue, sell or deliver any shares of any class of its capital stock or any securities convertible into shares of any class of its capital stock (except for the exercise of currently outstanding stock options);
- split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock or purchase, redeem or otherwise acquire any shares of its own capital stock or of any of its subsidiaries, except as otherwise expressly provided in the merger agreement;
- (a) create, incur, assume, maintain or permit to exist any debt for borrowed money other than under existing lines of credit in the ordinary course of business consistent with past practice, (b) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person in the ordinary course of business consistent with past practices, (c) make any loans, advances or (except in the ordinary course of business consistent with past practice) to, capital contributions to, or investments in, any other person, or (d) pledge or otherwise encumber shares of capital stock of Spectrum;
- (a) increase in any manner the compensation of (i) except under the terms of any agreement in existence on the date of the merger agreement, any of its directors or officers or (ii) any other employee except in the ordinary course of business consistent with past practice, (b) pay or agree to pay any pension, retirement allowance or other employee benefit not required, or enter into or agree to enter into any agreement or arrangement with such director or officer or employee, whether past or present, relating to any such pension, retirement allowance or other employee benefit, except as required under currently existing agreements, plans or arrangements or to extend employee benefits upon termination in the ordinary course of business consistent with past practice, (c) grant any severance or termination pay to, or enter into any employment or severance agreement with, (i) except under the terms of any agreement or policy in existence on the date hereof, any of its directors

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or officers or (ii) any other employee except in the ordinary course of business consistent with past practice, or (d) except as may be required to comply with applicable law, become obligated under any new pension plan, welfare plan, multiemployer plan, employee benefit plan, benefit arrangement, or similar plan or arrangement, which was not in existence on the date hereof, including any bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other benefit plan, agreement or arrangement, or employment or consulting agreement with or for the benefit of any person, or amend any of such plans or any of such agreements in existence on the date of the merger agreement;

- enter into any agreement or transaction with any director, officer or holder of more than 5% of Spectrum common stock or any family member or affiliate of any of the foregoing;
- except as disclosed prior to the execution of the merger agreement, enter into any other agreements, commitments or contracts in excess of \$50,000 in the aggregate, except agreements, commitments or contracts in the ordinary course of business consistent with past practice and agreements, commitments or contracts for third party services in connection with the merger;
- authorize, recommend, propose or announce an intention to authorize, recommend or propose, or enter into any agreement in principle or an agreement with respect to, any plan of liquidation or dissolution, any acquisition of a material amount of assets (other than in the ordinary course of business consistent with past practice) or securities, any sale, transfer, lease, license, pledge, mortgage, or other disposition or encumbrance of a material amount of assets (other than in the ordinary course of business consistent with past practice) or securities or any material change in its capitalization, or any entry into a material contract or any amendment or modification of any material contract or any release or relinquishment of any material contract rights;
- authorize any new capital expenditure or expenditures in excess of \$50,000 in the aggregate, other than expenditures that were included in Spectrum's capital expenditure budget for the current fiscal year or incurred as a result of the transactions contemplated by the merger agreement;
- make any change in the accounting methods or accounting practices followed by Spectrum, except changes required by law or by U.S. GAAP;
- settle or compromise any material federal, state, local or foreign tax liability, make any new material tax election, revoke or modify any existing tax election, or request or consent to a change in any method of tax accounting;
- take, cause or permit to be taken any action, whether before or after the effective date of the merger, that could reasonably be expected to prevent the merger from constituting a reorganization within the meaning of Section 368(a) of the Code;
- create or acquire any subsidiary;
- knowingly do any act or omit to do any act that would result in a breach of any representation by Spectrum set forth in the merger agreement;
- make any increase in Spectrum's trade or consumer promotions from those disclosed to Hain by Spectrum in writing prior to the date of the merger agreement or any consumer promotions extending beyond December 31, 2005 without Hain's written approval; or
- agree to do any of the foregoing.

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Affirmative Covenants of Hain. Under the terms of the merger agreement, Hain has agreed that, before the effective time of the merger, it will, among other things, and subject to specified exceptions:

- take any commercially reasonable action required to be taken under any applicable state securities laws in connection with the issuance of Hain common stock in the merger; and
- cause the stock consideration to be approved for quotation on Nasdaq, subject to official notice of issuance.

Affirmative Covenants of Hain and Spectrum. Under the terms of the merger agreement, Hain and Spectrum agreed that, before the effective time of the merger, they will, among other things, and subject to specified exceptions:

- prepare and file with the SEC a registration statement in connection with the issuance of the shares of Hain common stock in the merger, and use commercially reasonable efforts to have the registration statement declared effective under the Securities Act as promptly as practicable after such filing;
- make all necessary filings with respect to the merger and the transactions contemplated thereby under the Securities Act and the Exchange Act, and applicable state blue sky laws and the rules and regulations thereunder;
- use commercially reasonable efforts to take, or cause to be taken, all actions necessary, proper or advisable to consummate the merger and make effective the transactions contemplated by the merger agreement, including (a) to obtain all necessary waivers, consents and approvals from other parties to certain material Spectrum contracts, (b) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, state or foreign law or regulations, (c) to defend all lawsuits or other legal proceedings challenging the merger agreement or the consummation of the transactions contemplated by the merger agreement, (d) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated by the merger agreement, (e) to effect all necessary registrations and filings, including, but not limited to, submissions of information requested by governmental authorities, (f) provide all necessary information for the registration statement and (g) to fulfill all conditions to the merger agreement.

Limitation on Spectrum's Ability to Consider Other Acquisition Proposals

Under the terms of the merger agreement, Spectrum has agreed that it will not directly or indirectly, and that it will not authorize or permit any of its representatives, subsidiaries or subsidiaries' representatives directly or indirectly, to:

- solicit, initiate, facilitate or knowingly encourage any inquiries, offers or proposals relating to a takeover proposal;
- engage in discussions or negotiations with, or furnish or disclose any non-public information relating to Spectrum to, any person that has made or has indicated an intention or to make or is considering making a takeover proposal;
- withdraw, modify or amend in any manner adverse to Hain the recommendation by Spectrum's board of directors in favor of the merger;

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- approve, endorse or recommend any takeover proposal; or
- enter into any agreement in principle, arrangement, understanding or contract relating to a takeover proposal.

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However, these restrictions will not be deemed to prevent Spectrum or its board of directors from (i) complying with its legal obligations under Rules 14d-9 and 14c-2 of the Exchange Act with regard to a takeover proposal and (ii) making such other public disclosures that it determines, based on the advice of outside legal counsel, is required under applicable law.

Under the terms of the merger agreement, Spectrum has agreed to, and to direct its representatives to, immediately cease any existing solicitations, discussions or negotiations with any person that has made or indicated an intention to make a takeover proposal. Spectrum has also agreed to promptly request that each person who has executed a confidentiality agreement with Spectrum in connection with that person's consideration of a takeover proposal return or destroy all non-public information furnished to that person by or on behalf of Spectrum.

Under the terms of the merger agreement, if Spectrum receives any takeover proposal or indication by any person that it is considering making any takeover proposal, or any request for non-public information relating to Spectrum other than requests for information in the ordinary course of business consistent with past practice and unrelated to a takeover proposal, Spectrum must, promptly upon receipt of such takeover proposal, indication of interest or request, advise Hain of the matter, including the identity of such person and a copy of such takeover proposal, indication or request or, if no such copy is available, a written description of the terms thereof. Spectrum must keep Hain reasonably informed on a prompt basis of the status of any such takeover proposal, indication of interest or request, and any related communications to or by Spectrum or its representatives.

Conditions to the Merger

Conditions to the Obligations of Each Party. The merger agreement provides that the obligations of Hain, Merger Sub and Spectrum to effect the merger and otherwise consummate the transactions contemplated by the merger agreement are subject to the satisfaction, at or prior to the closing of the merger, of the following conditions, in addition to the additional conditions applicable to each of the parties set forth below:

- the vote of the requisite number of Spectrum shareholders shall have been obtained;
- no judgment, order, decree, statute, law, ordinance, rule or regulation entered, enacted, promulgated, enforced or issued by any court or other governmental entity of competent jurisdiction or other legal restraint or prohibition shall be in effect preventing the consummation of the merger;
- the shares of Hain common stock issuable to Spectrum's shareholders as contemplated by the merger agreement shall have been approved for quotation on Nasdaq, subject to official notice of issuance.

Additional Conditions to the Obligations of Hain. The merger agreement provides that the obligations of Hain to effect the merger and otherwise consummate the transactions contemplated by the merger agreement are subject to the satisfaction, at or prior to the closing of the merger, of the following conditions, in addition to the conditions set forth above under *Conditions to the Obligations of Each Party* :

- the representations and warranties of Spectrum set forth in the merger agreement shall be true and correct in all respects, without regard to any materiality or material adverse effect qualifications contained therein, as though made on and as of the date of the merger (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of representations and warranties to be true and correct in all respects could not reasonably be expected to have a material adverse effect. In addition, the representations and warranties with respect to

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the capitalization of Spectrum shall be true and correct in all respects as of the effective time, as though made on as of the effective time (except to the extent expressly made as of an earlier date, in which case as of such earlier date);

- Spectrum shall have performed in all material respects all obligations required to be performed by it under the merger at or prior to the closing of the merger;

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- since the date of the merger agreement, there shall not have been, and there shall not reasonably be expected to be, any Spectrum material adverse effect that is continuing;
- the holders of not more than 10% of the outstanding Spectrum common stock shall (a) immediately following the Spectrum shareholder meeting, have demanded and maintained the right to require, or have the continuing right to require, purchase of their Spectrum common stock for cash in accordance with Chapter 13, or (b) 30 days following the Spectrum shareholder meeting, have demanded and maintained the right to require, or have the continuing right to require, the purchase of their Spectrum common stock for cash in accordance with Chapter 13;
- the consents and approvals required by the merger agreement shall have been obtained;
- Spectrum shall have delivered to Hain customary payoff letters, in form and substance reasonably satisfactory to Hain and its counsel, with respect to certain Spectrum indebtedness existing as of the effective time; and
- Hain shall have received from its counsel an opinion regarding certain tax matters (although this condition will be deemed waived if the representations contained in the tax representation letters to be delivered by Hain and Spectrum at the closing are true in all material respects).

Additional Conditions to the Obligation of Spectrum. The merger agreement provides that the obligation of Spectrum to effect the merger and otherwise effect the transactions contemplated by the merger agreement are subject to the satisfaction, at or prior to the closing of the merger, of the following conditions, in addition to the conditions set forth above under Conditions to the Obligations of Each Party :

- the representations and warranties of Hain set forth in the merger agreement shall be true and correct in all respects, without regard to any materiality or material adverse effect qualifications contained therein, as though made on and as of the closing of the merger (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of representations and warranties to be true and correct in all respects could not reasonably be expected to have a material adverse effect . In addition, the representations and warranties with respect to the capitalization of Hain shall be true and correct in all respects as of the effective time, as though made on as of the effective time (except to the extent expressly made as of an earlier date, in which case as of such earlier date);
- Hain and Merger Sub shall have performed in all material respects all obligations required to be performed by them under the merger agreement at or prior to the closing of the merger;
- the consents and approvals required by the merger agreement shall have been obtained;
- the holders of not more than 20% of the outstanding Spectrum common stock shall (a) immediately following the Spectrum shareholder meeting, have demanded and maintained the right to require, or have the continuing right to require, purchase of their Spectrum common stock for cash in accordance with Chapter 13, or (b) 30 days following the Spectrum shareholder meeting, have demanded and maintained the right to require, or have the continuing right to require, the purchase of their Spectrum common stock for cash in accordance with Chapter 13; and
- Spectrum shall have received from its counsel an opinion regarding certain tax matters (although this condition will be deemed waived if the representations contained in the tax representation letters to be delivered by Hain and Spectrum at the closing are true in all material respects).

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As used with respect to Spectrum in the merger agreement, *material adverse effect* means any state of facts, circumstance, change, development, effect, condition or occurrence that, when taken together with all other

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states of fact, circumstances, changes, developments, effects, conditions and occurrences, (i) has a material and adverse effect on the financial condition, business, assets, liabilities or results of operations of Spectrum, or (ii) prevents or materially impedes or delays the performance by Spectrum of its obligations under the merger agreement or the consummation of the merger or the other transactions expressly contemplated by the merger agreement; *provided, however*, that with respect to clause (i), a material adverse effect will be deemed not to include any state of facts, circumstance, change, development, effect, condition or occurrence to the extent resulting from (a) any change in the market price or trading volume of Spectrum's common stock after the date of the merger agreement; (b) the announcement of the pendency of the merger (including cancellations of or delays in customer orders, reductions in sales, disruptions in supplier, distributor, partner or similar relationships or losses of employees, in each case resulting from such announcement); (c) the payment of any amounts due to, or the provision of any other benefits (including benefits relating to acceleration of stock options) to, any officers or employees under employment contracts, non-competition agreements, employee benefit plans, severance arrangements or other arrangements in existence as of the date of the merger agreement and specifically identified in the disclosure letter delivered by Spectrum to Hain in connection with the merger agreement; (d) the payment of out-of-pocket fees and expenses incurred in connection with the transactions contemplated by the merger agreement; or (e) compliance with the express terms of, or the taking of any action expressly required by, the merger agreement.

As used with respect to Hain in the merger agreement, *material adverse effect* means any state of facts, circumstance, change, development, effect, condition or occurrence that, when taken together with all other states of fact, circumstances, changes, developments, effects, conditions and occurrences, (i) has a material and adverse effect on the financial condition, business, assets, liabilities or results of operations of Hain, or (ii) prevents or materially impedes or delays the performance by Hain of its obligations under the merger agreement or the consummation of the merger or the other transactions expressly contemplated by the merger agreement; *provided, however*, that with respect to clause (i), a material adverse effect will be deemed not to include any state of facts, circumstance, change, development, effect, condition or occurrence to the extent resulting from (a) any change in the market price or trading volume of Hain's stock after the date of the merger agreement; (b) the announcement of the pendency of the merger (including cancellations of or delays in customer orders, reductions in sales, disruptions in supplier, distributor, partner or similar relationships or losses of employees, in each case resulting from such announcement); or (c) compliance with the express terms of, or the taking of any action expressly required by, the merger agreement.

Termination of the Merger Agreement

The merger agreement provides that Hain and Spectrum can agree by mutual written consent to terminate the merger agreement at any time before the consummation of the merger. In addition, either Hain or Spectrum may terminate the merger agreement if:

- the merger has not been consummated by December 31, 2005 (or, if the SEC reviews the registration statement, by January 31, 2006) except that the right to terminate the merger agreement under this clause shall not be available to any party to the merger agreement whose failure to fulfill any of its obligations has been a principal cause of, or resulted in, the failure to consummate the merger by such date; provided that such deadlines will be extended for an additional 30 calendar days if the holders of more than 10% of the outstanding Spectrum common stock shall, immediately following the Spectrum shareholder meeting, have demanded and maintained the right to require, or have the continuing right to require, purchase of their Spectrum common stock for cash in accordance with Chapter 13;
- the principal terms merger agreement have been submitted to the shareholders of Spectrum for approval at a duly convened meeting of Spectrum shareholders (or adjournment or postponement thereof) and the vote of the requisite number of shares is not obtained upon a vote taken thereon;
- any law prohibits consummation of the merger; or

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- any order restrains, enjoins or otherwise prohibits consummation of the merger, and such order has become final and nonappealable.

In addition, the merger agreement provides that Hain may terminate the merger agreement, before the effective time, if any of the following events occurs:

- Spectrum's board of directors withdraws, modifies or amends its board recommendation in favor of the merger in any manner adverse to Hain;
- (a) Spectrum's board of directors approves, endorses or recommends a takeover proposal, (b) Spectrum enters into a contract relating to a takeover proposal, (c) a tender offer or exchange offer for any outstanding shares of capital stock of Spectrum is commenced prior to obtaining the vote of the requisite number of shares of Spectrum's shareholders and Spectrum's board of directors fails to recommend against acceptance of such tender offer or exchange offer by its shareholders (including, for these purposes, by taking no position with respect to the acceptance of such tender offer or exchange offer by its shareholders, which shall constitute a failure to recommend against acceptance of such tender offer or exchange offer) within ten business days after commencement, (d) any person solicits proxies of shareholders of Spectrum prior to obtaining the vote of the requisite number of shares in favor of the merger and Spectrum's board of directors fails to recommend against acceptance of such solicitation by its shareholders (including, for these purposes, by taking no position with respect to the acceptance of such solicitation by its shareholders, which shall constitute a failure to recommend against acceptance of such solicitation) within ten business days after commencement, or (e) Spectrum or its board of directors publicly announces its intention to do any of the foregoing; or
- Spectrum breaches any of its representations, warranties, covenants or agreements contained in the merger agreement, which breach (a) would give rise to the failure of a condition as set forth in Certain Terms of the Merger Agreement Additional Conditions to the Obligations of Hain and (b) has not been cured by Spectrum within ten business days after Spectrum's receipt of written notice of such breach from Hain.

If the merger agreement is terminated, then it will be of no further effect, there will be no liability on the part of Hain or Spectrum to the other, and all rights and obligations of the parties will cease other than liabilities relating to payment of termination fees and breaches of representations and warranties and covenants contained in the merger agreement.

Expenses and Termination Fee

The merger agreement provides that, regardless of whether Hain and Spectrum consummate the merger, each of Spectrum, Spectrum's shareholders and Hain will pay their own costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement.

If the merger is completed, the surviving entity will assume Spectrum's expenses for third party services and fees to outside directors, in each case incurred after March 31, 2005, and payments to be made by Hain under the Non-Competition Agreement between Hain and Mr. Blomquist, or the *Company Expenses*, to the extent that such expenses do not exceed \$725,000 in the aggregate. Any Company Expenses above \$725,000 in the aggregate, which are referred to in this proxy statement/prospectus as *Excess Company Expenses*, will reduce the cash portion of the aggregate merger consideration dollar-for-dollar.

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Under the terms of the merger agreement, Spectrum has agreed to pay Hain a termination fee in the amount of \$900,000 if:

- Spectrum terminates the merger agreement and accepts a superior proposal;

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- Hain terminates the merger agreement because (a) Spectrum's board of directors withdraws, modifies or amends, in each case in any manner adverse to Hain, its recommendation that Spectrum's shareholders approve the merger and the merger agreement or (b) Spectrum's board of directors takes certain actions to support (or does not oppose) a takeover proposal; or
- (a) a takeover proposal is made or proposed to Spectrum or otherwise publicly announced, (b) the merger agreement is terminated by either Spectrum or Hain, and (c) Spectrum consummates any takeover proposal (whether or not the same as the takeover proposal referred to in clause (a) above) within 18 months following the date of termination of the merger agreement.

Amendment

The merger agreement may be amended at any time, whether before or after the approval of the principal terms of the merger by Spectrum shareholders. However, after the approval of the principal terms of the merger by Spectrum shareholders, no amendment which by law requires the approval of Spectrum shareholders will be effective.

Voting Agreement

Concurrent with the execution and delivery of the merger agreement and as a condition to the willingness of Hain to enter into the merger agreement, Jethren Phillips, the Chairman of the board of directors of Spectrum, entered into a Voting and Support Agreement (attached as *Annex B* to this proxy statement/prospectus) with Hain pursuant to which he has agreed to vote Spectrum shares representing 40% of the shares entitled to vote at the special meeting in favor of approval of the principal terms of the merger. Mr. Phillips beneficially owns approximately 53% of the outstanding shares of Spectrum common stock.

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SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS OF HAIN

Hain is not aware of any material changes in the beneficial ownership by (a) any person who is known by Hain to be (or was known to be at the time of Hain's 2005 proxy statement) the beneficial owner of more than five percent of Hain's outstanding shares of common stock, (b) the directors of Hain, or (c) the executive officers of Hain named in the Summary Compensation Table in Hain's most recent proxy statement, in each case from those disclosed in Hain's most recent proxy statement.

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ADDITIONAL INFORMATION REGARDING SPECTRUM

Business

Introduction

Spectrum competes primarily in three business segments: natural and organic foods under the Spectrum Naturals® brand; essential fatty acid nutritional supplements under the Spectrum Essentials® brand; and industrial ingredients for use by other manufacturers sold under the Spectrum Ingredients name. The vast majority of Spectrum's products are oil-based and Spectrum has positioned itself as The Good Fats Company by differentiating its products from mass market alternatives in the following ways:

- All raw ingredients used in Spectrum products, from olives to nut seeds to soybeans are certified to be non-GMO.
- Oils are extracted from the raw ingredients via expeller (mechanical) pressing. No harsh chemicals or solvents are ever used. Expeller pressing retains the natural flavor and nutrients and minimizes the damage from the effects of heat, light and oxygen.
- Spectrum oils are only refined when a more neutral-tasting oil is desired or for oils that need to perform well in high heat culinary applications. Spectrum organic oils are gently refined at the lowest temperatures possible using natural agents like citric acid.
- Spectrum oils never undergo post-refining. Mass market oils often undergo hydrogenation to prolong shelf lives and to create solid fats from oils that would naturally be liquids at ambient temperatures.

Within the natural and organic foods segment, Spectrum's products include olive oils and other culinary oils, salad dressings, condiments and butter-substitutes such as Spectrum Organic Margarine® and Spectrum Spread®. All of Spectrum's culinary products feature healthy fats, contain no hydrogenated or trans fats and are offered in a variety of sizes and flavors in both organic and conventional, non-GMO offerings.

Within the nutritional supplement segment, Spectrum's products include organic flax oils, evening primrose oil, borage oil, Norwegian fish oil and other essential fatty acids in both liquid and capsule forms. The Spectrum Essentials® products are cold-pressed, nutritionally rich sources of Omega-3 and Omega-6 essential fatty acids and are also offered in a variety of sizes and styles.

The Spectrum Ingredients® (formerly known as Spectrum Commodities, Inc.) segment includes organic and conventional non-GMO culinary oils, organic vinegar, condiments and nutritional oils offered to other manufacturers for use in their products. In addition, they bring incremental purchasing power to Spectrum resulting in higher margins for the consumer branded products.

Business Combination and Subsequent Divestitures

Spectrum was formed on October 6, 1999 by the four-way reverse merger of three private companies: Spectrum Naturals, Inc., or *SNI*, its affiliate Spectrum Commodities, Inc., or *SCI*, and Organic Ingredients, Inc., or *OI*, into the public company Organic Food Products, Inc., or *OFPI*. *OFPI* was the registrant prior to the merger, but since a controlling interest in Spectrum is held by former *SNI* shareholders, the merger was accounted for as a reverse acquisition, with *SNI* and *SCI* as the acquirer and *OI* and *OFPI* as acquirees.

On June 11, 2001, Spectrum sold the *OFPI* tomato-based product lines to Acirca, Inc., an unrelated third party. On April 25, 2002, Spectrum sold the *OI* industrial ingredient product lines in fruits, vegetables, concentrates and purees to Acirca. The two dispositions have significantly strengthened Spectrum from a liquidity and working capital standpoint. Additionally, Spectrum was able to focus its resources on its core business in healthy oils, butter substitutes and essential fatty acid nutrition.

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History

Spectrum was incorporated in 1980 as Spectrum Marketing, Inc., a California corporation, to bring nutrition and quality into the vegetable oil category. In the beginning, natural oils were manufactured and distributed in bulk. Six years later the Spectrum Naturals® brand was launched. In 1992, Spectrum changed its name to Spectrum Naturals, Inc. Over time SNI expanded its product lines to include condiments and salad dressings under the Spectrum Naturals® brand and nutritional supplements under the Spectrum Essentials® brand. The brands are positioned as premium, healthy alternatives to conventional products as a result of the organic sourcing of raw ingredients and the chemical-free extraction of the oils utilizing mechanical (expeller) pressing techniques. SNI has been a leading innovator in the development and marketing of expeller-pressed and certified organic vegetable oils. Spectrum has also been a leading proponent of testing and verifying the absence of genetically modified organisms in its culinary oils. SNI has marketed natural mayonnaise since 1987, organic vinegar since 1989 and healthy fat salad dressings since 1996. Spectrum Spread®, a healthy alternative to butter or margarine in baking applications was introduced in 1993.

Expanding into the nutritional supplement product category, Spectrum participated in areas of nutritional research and product development, becoming the first company to market organic flax oil in the United States. Spectrum also implemented the proprietary technology known as SpectraVac. SpectraVac, in use since 1989, is an organic method of fresh oil extraction from seed without the use of chemicals that also minimizes the impact of oxygen, light and heat. The SpectraVac system also employs micron filtration technology which eliminates impurities without stripping out the beneficial compounds in the oil. The result is a true, cold-pressed nutritionally rich oil that resists flavor reversion.

In 1995, Spectrum formed Spectrum Commodities, Inc., or *SCI*, to serve other natural food manufacturers with similar bulk ingredient needs. *SCI*'s mission was to improve the integrity of ingredients used in food manufacturing by offering expeller-pressed oils in place of those made with harsh chemical solvents. *SCI* also secured exclusive distribution rights to new products such as organic palm and coconut oils. *SCI* works with a distribution network that has railcar pumping stations and warehouses on both coasts. *SCI* provides industrial quantities of organic and expeller-pressed culinary and nutritional oils and organic vinegar to manufacturers, co-packers, private label and food service accounts. The *SCI* product lines are now offered for sale under the Spectrum Ingredients, or *SI*, name.

OFPI went public in August 1997 and was quoted on the NASDAQ Small Cap Market until being delisted in May 1999 due to non-compliance with the net tangible assets requirement. Since then Spectrum's common stock has been quoted on the OTC Bulletin Board System under the ticker symbol *OFPI* until the October 1999 merger, after which Spectrum changed its name to Spectrum Organic Products, Inc. and its ticker symbol to *SPOP.OB*.

Spectrum offers its products here in the United States as well as internationally to natural and mainstream food distributors, retailers and manufacturers. Spectrum manages its business under the following three product segments:

Spectrum Naturals® Culinary Segment

Spectrum introduces and discontinues products on a regular basis, consistent with customary practices of other firms in the processed food industry. Spectrum's current culinary products, which include organic and Orthodox Union certified products, include the following:

Culinary Oils

Spectrum's largest culinary product line is olive oil. Spectrum markets organic and conventional extra virgin olive oil in various sizes. Spectrum also offers olive oils from various geographic regions including Greece, Spain, Italy, Tunisia, Argentina and California.

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Spectrum also markets other refined, unrefined, blended and organic cooking oils under the Spectrum Naturals® brand. The other culinary oils include almond, apricot, avocado, canola, coconut, corn, palm fruit, peanut, pumpkin seed, hazelnut, safflower, sesame, soy, sunflower and walnut.

Condiments

Spectrum also markets condiments under the Spectrum Naturals brand name. There is both a lite and a regular mayonnaise made from expeller-pressed canola oil. Spectrum introduced the first organic mayonnaise during 2000. Spectrum also markets a vinegar line that is third party certified organic, which includes: apple cider, brown rice, red wine, white wine and balsamic. There is also non-organic balsamic vinegar from Modena, Italy. Spectrum also markets two types of spreads for use as a healthy alternative to butter or margarine: Spectrum Naturals Canola Spread and Essential Omega Spread made with organic flax and soy oils.

Salad Dressings

Spectrum also markets organic salad dressings in full-fat, low-fat and fat-free versions in various flavors and sizes. The salad dressing line also includes three Omega-3 vinaigrettes, which are functional full-fat dressings made with organic flax and soy oil to help consumers achieve recommended daily allowances of Omega-3 essential fatty acids in a tasteful product.

Cooking Sprays

There are five six-ounce cooking sprays that compete with their mass-market counterpart Pam. The Spectrum Super Canola Spray Oil is made from high-oleic canola oil and the Extra Virgin Olive Spray Oil is made from a blend of extra virgin olive oil and canola oil. Also available in the six-ounce size are Canola Spray Oil with Butter Flavor, Grapeseed Spray Oil and Extra Virgin Olive Spray Oil with Garlic Flavor. There is also a 16-ounce version of the Spectrum Super Canola Spray Oil.

Shortening

Spectrum markets a non-hydrogenated organic palm shortening that can be used in any cooking application where butter, margarine or shortening is called for. The Spectrum Naturals® shortening is a healthy alternative to hydrogenated shortening and partially hydrogenated oils.

Spectrum Essentials® Nutritional Supplement Segment

Spectrum markets essential fatty acid nutritional supplements under the Spectrum Essentials® brand. The supplements are available in both liquid and capsule forms. The essential fatty acid supplement oils include Flax, Borage, Evening Primrose, Cod Liver, Norwegian Fish and Wheat Germ oils in various sizes, flavors and blends. The Spectrum Essentials® brand also includes two fiber supplements for colon care.

Spectrum Ingredients/Private Label Segment

Spectrum offers a wide variety of certified organic and non-organic industrial ingredients to other food manufacturers, including olive oils and numerous other vegetable cooking oils in both refined and unrefined states, vinegar, mayonnaise, shortening and nutritional oils (primarily flax oil) sold in institutional sizes and bulk capsules.

The private label product lines include programs for natural and organic food retailers such as Whole Foods, Vitamin Shop and Trader Joe's. These programs include canola oil, mayonnaise, olive oil, and flax oil products.

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Sales and Distribution

Spectrum sells its consumer branded products primarily through distributors, independent commissioned food brokers and specialty food brokers to natural food and specialty food stores, retail chains and independent grocery stores. Currently Spectrum products are offered in over 6,000 health food stores nationwide and 2,000 grocery stores located throughout the United States and Canada. In order to increase its distribution and sales, Spectrum offers special promotional pricing and occasionally may pay slotting fees, which are payments made by food processors and distributors to retail stores in order to acquire retail shelf space for their food products.

In 2004 UNFI accounted for approximately 42% of Spectrum's net sales, versus 36% in 2003 and 50% in 2002. The loss of UNFI as a customer would have a material adverse effect on Spectrum's operations. One of Spectrum's directors, Thomas B. Simone, also serves as vice chair and lead independent director of the board of directors of UNFI. UNFI's percentage of sales decreased from the 2002 level because of the growth of the Spectrum Ingredients Division as a percent of total sales. The Spectrum Ingredients product lines are sold to domestic food manufacturers.

A broker incentive plan has been implemented based on annual quotas to motivate brokers to increase their sales of Spectrum products. Spectrum has also entered into arrangements with certain retail store chains to obtain closer working relationships and enhanced retail merchandising and promotional support.

To date, Spectrum has focused on its core natural foods distribution network. Spectrum will enter into new distribution arrangements with mass-market accounts where profitable. Management believes there is an opportunity to enter conventional supermarkets as they become more committed to providing a variety of organic and natural food products, and as consumers become more health conscious.

Marketing and New Product Development

Spectrum's product marketing emphasizes organic, all natural and healthy oil products containing no hydrogenated fats as a healthy and good-tasting alternative to similar traditional food products. Each brand is targeted toward specific consumer segments with appropriate products, flavor variations, images and messages. Spectrum promotes all of its brands to natural food and health food stores and the specialty or gourmet departments of grocery stores.

Spectrum hired its first research and development director in January, 2005 to drive its development of new product and line extensions. Previously, Spectrum primarily used outside resources in developing its new consumer branded products. Research and development expenses are included in general and administrative expense.

Manufacturing Facilities and Suppliers

Spectrum manufactures the Spectrum Essentials flax oil products in a leased facility located at 1510 South 2nd Street, Cherokee, Iowa. The Cherokee facility is managed under a strategic alliance with BIOWA Nutraceuticals, LLC, or *BIOWA*. BIOWA provides custom manufacturing services to Spectrum utilizing Spectrum's proprietary technology and equipment. During 2004, Spectrum closed its leased manufacturing facility

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at 133 Copeland Street, Petaluma, California, where its flax oil products were formerly produced.

On July 14, 2003, Spectrum disassembled its bottling line at Copeland Street in Petaluma, California and relocated and reconfigured the line at its new bottling co-packer, Interpac Technologies, Inc., or *Interpac*, also located in Petaluma, California. Interpac provides custom bottling services to Spectrum utilizing Spectrum's bottling equipment. On June 2, 2003, Spectrum relocated its third party warehousing and distribution facility from Southern California to a new facility operated by Interpac in Woodland, California.

Spectrum uses co-packers to process and package its vinegars, condiments, dressings, mayonnaise, shortening, spray oils, spreads and encapsulated nutritional products. Spectrum's primary co-packer of branded

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products represented approximately 9%, 11% and 11% of the cost of goods sold in 2004, 2003 and 2002, respectively. While a change in co-packers could cause a delay in production and a possible loss of sales, Spectrum believes other manufacturers are available who could provide processing at similar prices and terms.

Organic raw materials are available from a limited number of sources. Spectrum maintains long-term relationships with most of its organic suppliers. Purchase arrangements are generally made annually in either U.S. dollars or the local currency of the supplier. Spectrum had one vendor of canola oil that supplied approximately 17%, 16% and 11% of Spectrum's raw material purchases in 2004, 2003 and 2002, respectively. Spectrum believes that other suppliers are available who could provide products at similar prices and terms. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, which could adversely affect operating results.

Competition

The natural food and health food industries in general and the condiment, culinary oil and nutritional supplement businesses in particular, are highly competitive and there are numerous multinational, regional and local firms that currently compete, or are capable of competing, with Spectrum. In the natural foods category Spectrum's principal competitors are private label offerings and the Hain Celestial Group. Spectrum competes with numerous brands in the non-organic vegetable oil category including Puritan and Wesson. In the olive oil category, competitors include Colavita, Hain and Dal Raccolto. The nutritional supplement competitors include Health from the Sun and Barleans. Spectrum also faces competition in the natural food condiment market from Eden, Canoleo, Nasoya, Annie's and Braggs. Competitors in the non-organic condiments market include Heinz and International Home Foods, which markets Best Foods Mayonnaise.

Competitive factors in the specialty foods industry include price, quality, brand image and flavor. Spectrum positions its product lines to be slightly more expensive than their non-organic food counterparts but consistent with prices charged by other organic food marketers. Management believes its products compete favorably against other organic foods with respect to quality and flavor.

Trade Names and Trademarks

Spectrum has federal registration for its Spectrum Naturals, Spectrum Essentials, Spectrum Spread and Spectrum Naturals Organic Margarine trademarks. However, there can be no assurance that any trademark or trade name will not be copied or challenged by others.

Government Regulation and Independent Certification

Spectrum is subject to various federal, state and local regulations relating to cleanliness, maintenance of food production equipment, food storage and food handling and Spectrum is subject to unannounced on-site inspections of its manufacturing facilities. As a manufacturer and distributor of foods, Spectrum is subject to regulation by the FDA, the FTC, the USDA, and OSHA, in connection with the manufacture, sale, safety, advertising, handling, storage, transportation, labeling and processing of food products. In order to offer organic and kosher food products, Spectrum is also subject to inspection and regulation by third party certification agencies, such as Quality Assurance International and the Orthodox Union.

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The USDA adopted regulations with respect to the labeling and certification of organic foods which were implemented on October 21, 2002. Spectrum has made the required label revisions and is in compliance with the additional requirements for third party organic certification.

The FDA proposed new guidelines with respect to the labeling of genetically engineered foods on January 18, 2001. Final guidance is expected to be issued in the near future. However, since Spectrum never utilizes genetically engineered seed or raw materials, and has a third party testing program in place to verify the absence of these, the guidelines are not expected to effect the labeling of Spectrum's products.

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Additionally, the FDA issued its final ruling amending the nutritional labeling regulations on packaged foods on July 11, 2003. This ruling requires the declaration of trans fatty acids on nutritional labels effective January 1, 2006. Trans fatty acids are found in hydrogenated or partially-hydrogenated oils and are suspected by many health care practitioners to be a contributor to heart disease, diabetes and the obesity epidemic in the United States. None of Spectrum's products contain trans fatty acids; therefore, this ruling is not expected to effect the labeling of Spectrum's products.

In response to the terrorist attacks against the United States on September 11, 2001, the U.S. government has taken aggressive action to protect the nation's food supply. In June 2002, the FDA enacted the Public Health Security and Bioterrorism Preparedness and Responsive Act of 2002, or the *Bioterrorism Act*. The Bioterrorism Act mandated that all food companies comply with four new requirements with regards to the importation of food products to the United States as of December 2003:

- Registration of all domestic and importing manufacturers directly with the FDA;
- Pre-notification of inbound food shipments with the Bureau of Customs and Border Protection, or *BCBP* ;
- Maintenance of documentation to support the importation of any food product, by lot, as it flows from the importer to the ultimate customer for a minimum of two years; and
- Detention of food products at the port of entry at the discretion of the FDA, in connection with its efforts to protect the nation's food supply.

Spectrum, as a regulated organic producer, has been subject to annual audits to retain its organic certification and maintains records of organic and conventional shipments, by lot, for a minimum of five years. Accordingly, compliance with the Bioterrorism Act has been relatively seamless for Spectrum. The increased amount of time required to clear items through the port with the BCBP has required Spectrum to carry higher levels of raw materials in inventory, however.

Additionally, the BCBP has initiated a key cooperative program with the importer community called Customs-Trade Partnership Against Terrorism, or *C-TPAT*. The BCBP provides participating companies with guidelines for security enhancement throughout the supply chain and encourages their voluntary enrollment into C-TPAT. Spectrum has secured membership in the C-TPAT program, which lowers Spectrum's risk profile with BCBP and improves the efficiency of the importation of raw materials by Spectrum.

The Spectrum Essentials® brand of nutritional supplements are subject to the provisions of the Dietary Supplement Health and Education Act of 1994, or *DSHEA*, which went into effect in March 1999. DSHEA defines dietary supplements as a new category of food, separate from conventional food. DSHEA requires specific nutritional labeling requirements for dietary supplements and permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well-being resulting from consumption of a dietary ingredient, or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or function of the body.

Regulations in new markets and future changes in the regulations may adversely impact Spectrum by raising the cost to manufacture and deliver its products or by affecting the perceived healthfulness of its products. A failure to comply with one or more regulatory requirements could interrupt Spectrum's operations and result in a variety of sanctions, including fines and the withdrawal of Spectrum's products from store shelves. Spectrum holds all material licenses and permits required to conduct its operations.

Spectrum is also subject to federal and state laws establishing minimum wages and regulating overtime and working conditions.

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Seasonality

Historically, Spectrum has experienced little seasonal fluctuation in revenues. With regards to product purchasing, Spectrum will seasonally contract for certain raw materials for the entire year at harvest time or at planting time. These purchases take place annually from early spring to mid-summer and are affected to reduce the risk of price swings due to demand fluctuations. These annual purchases can create overages and shortages in inventory.

Employees

As of September 30, 2005, Spectrum had 60 full-time employees. Spectrum's employees are not covered by a collective bargaining agreement and Spectrum considers its employee relations to be satisfactory.

Properties

In 2002, Spectrum began a three phase project to close its former offices and manufacturing facility located at 133 Copeland Street in Petaluma, California. All three phases have now been completed as follows:

In December 2002, Spectrum consolidated its office space into its new headquarters facility at 5341 Old Redwood Highway, Suite 400, Petaluma, California. The headquarters facility lease is a non-cancelable operating lease of approximately 18,600 square feet which expires on December 31, 2007. Management believes that the headquarters facility is adequate for Spectrum's needs.

In July 2003, Spectrum relocated and reconfigured its bottling operation to a third party facility managed by Interpac, also located in Petaluma, California. Interpac provides custom bottling services to Spectrum utilizing Spectrum's bottling equipment.

In October 2004, Spectrum unveiled its new leased flax oil manufacturing facility located in Cherokee, Iowa. The Iowa facility is also managed by a third party, BIOWA, which provides custom crushing and refining of oils to Spectrum utilizing Spectrum's presses, filtering equipment and proprietary technologies known as SpectraVac.

Final rent on the Copeland Street facility was paid in November 2004 and the facility has been turned over to the landlord.

Legal Proceedings

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In the ordinary course of business Spectrum is involved in litigation, most of which is not expected to have a material adverse effect on Spectrum's business, results of operations or financial position. The following summarizes the status of the two significant legal proceedings that were not fully resolved at the date of this report:

Industrial Accident

On February 4, 2004, Spectrum pleaded no contest to two misdemeanor counts of violations under California Labor Code Section 6425, or *CLCS 6425*, violation of a regulation issued by the California Occupational Health and Safety Administration, or *CAL-OSHA*, requiring employers to provide, maintain and ensure employees use required confined space equipment. The plea arose in connection with a tragic production accident on April 25, 2002 that resulted in the death of two of Spectrum's employees. Under the Terms of Settlement and Probation entered into with the plea, Spectrum agreed to pay a fine under CLCS 6425 of \$150,000 in three annual installments of \$50,000 each on June 1, 2004, 2005 and 2006. In addition, Spectrum paid \$150,000 in restitution to the California District Attorneys Association Workers Safety Training Account to assist in the prosecution of worker safety cases in the State of California. Spectrum also reimbursed costs of \$25,000 each to the Petaluma Police Department, the Petaluma Fire Department and the Sonoma County District

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Attorney's Office. Finally, an additional fine of \$250,000 under CLCS 6425 was suspended, conditioned upon Spectrum's compliance with the terms of court supervised probation for three years. Accordingly, Spectrum created an industrial accident reserve by accruing an expense of \$375,000 during the year ended December 31, 2003 to cover the net present value of the above payments, plus attorney's fees. Total payments made during the year ended December 31, 2004 in connection with the plea were \$275,000.

CAL-OSHA completed its investigation of the accident and issued its report, which included nine citations for safety violations with total proposed penalties of \$137,900. There were no willful citations and the CAL-OSHA report acknowledged that all the safety violations had been 100% abated prior to the report's issuance. Spectrum filed a formal appeal with CAL-OSHA and on September 14, 2005, CAL-OSHA and the Company submitted a Stipulation and Settlement Agreement to the CAL-OSHA Appeals Board, which disposed of all the contested issues on appeal and calls for Spectrum to pay penalties of \$70,500. On October 17, 2005, the CAL-OSHA Appeals Board issued its Order approving the terms of the Stipulation and Settlement Agreement. Spectrum paid the penalties to close this matter on October 28, 2005, and charged the payment against the industrial accident reserve.

The dependents of both deceased employees filed appeals with the Workers' Compensation Appeals Board of California for serious and willful misconduct penalties against Spectrum. On May 25, 2004, Spectrum settled one of the appeals for \$35,000 which was paid on June 3, 2004 and charged against the industrial accident reserve.

As of September 30, 2005, Spectrum had a remaining reserve of \$139,800 to cover the remaining \$50,000 installment of the fine under CLCS 6425, the settlement of the CAL-OSHA appeal for \$70,500, and the remaining appeal filed with the Workers' Compensation Appeals Board of California.

The remaining workers compensation appeal is for an additional death benefit equal to \$87,500, which is 50% of the total death benefits to be paid by Spectrum's workers' compensation insurance carrier at the time of the accident. That amount would be payable by Spectrum to the dependents of the deceased worker if the dependents successfully establish that Spectrum was guilty of serious and willful misconduct by allowing unsafe working conditions to exist. If actually litigated, the workers compensation appeal is an all-or-nothing proposition under which Spectrum will either be liable for \$87,500 or nothing. Based on the advice of counsel, Spectrum expects the remaining workers compensation appeal to be settled rather than litigated. As of the date of this proxy statement/prospectus, management was in negotiations to settle this matter. Management believes the remaining reserve of \$139,800 at September 30, 2005 will be approximately adequate to cover the present value of the remaining \$50,000 installment under the CLCS 6425 fine due on June 1, 2006, the settlement of the CAL-OSHA appeal for \$70,500, and the remaining workers' compensation appeal.

Proposition 65 Complaint

On November 26, 2003, Spectrum was notified by attorneys for the Environmental Law Foundation, or ELF, that the Spectrum Naturals[®] Organic Balsamic Vinegar contains lead in excess of the allowable quantities under the Safe Drinking Water and Toxic Enforcement Act of 1986, also known as Proposition 65. The ELF is a California non-profit organization that represents itself as dedicated to the preservation of human health and the environment.

ELF's attorneys filed a Complaint for Civil Penalties, Statutory, Equitable and Injunctive Relief against Cost Plus, Inc., Safeway, Inc., Trader Joe's Company, Williams-Sonoma, Inc., Whole Foods, Inc. and unspecified defendants one through 100 in the Superior Court of the State of California on May 20, 2003 alleging violation of Proposition 65 for the sale of various products that contain lead in excess of the allowable limits without the required warning label. ELF's attorneys later notified Spectrum and dozens of other retailers, importers and manufacturers of

vinegar that they would be included as one of the 100 unspecified defendants in the complaint.

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Spectrum is a member of a Joint Defense Group established by attorneys representing several of the defendants in the complaint. A mediation session was conducted on June 14, 2005 and a settlement was reached by all parties on June 17, 2005. The total cost of the settlement to be borne by all members of the Joint Defense Group is \$185,000. Spectrum's estimated share of that amount is \$15,500. Manufacturers and importers of the Joint Defense Group also agreed to provide certain warning notices under Proposition 65 to California retailers of vinegar.

Spectrum's Common Equity and Related Shareholder Matters**Market and Historical Prices**

Spectrum's common stock was quoted on the NASDAQ Small Cap Market under the symbol "OFPI" from August 1997 to May 1999 when it was delisted due to non-compliance with the minimum net book value requirement. Thereafter it traded on the OTC Bulletin Board System and still does under the new symbol "SPOP.OB".

The following table sets forth the range of high and low closing sale prices of Spectrum's common stock as reported by the OTC Bulletin Board for the periods indicated.

	Price	
	High	Low
Fiscal Year Ending December 31, 2005:		
Fourth Quarter through November 4, 2005	\$ 0.76	\$ 0.56
Third Quarter	\$ 0.76	\$ 0.56
Second Quarter	\$ 0.65	\$ 0.45
First Quarter	\$ 0.58	\$ 0.48
Fiscal Year Ended December 31, 2004:		
Fourth Quarter	\$ 0.69	\$ 0.51
Third Quarter	0.68	0.45
Second Quarter	0.91	0.50
First Quarter	1.11	