

2010

newsmaker



"We are the largest privately held bakery in the U.S., as well as the largest producer of breakfast bars." - Hearthiside Food Solutions



OregonBusiness

Golden Temple sale near

May 6, 2010

A Michigan company, Hearthside Food Solutions, is reportedly set to buy Eugene-based cereal company Golden Temple.

The deal would affect Golden Temple's 230-employee cereal division, while the company plans to keep the Yogi Tea business.

Hearthside Food and Golden Temple have cleared the pre-merger waiting period required under federal law, according to the Federal Trade Commission. In general, a proposed merger worth more than \$65.2 million triggers an investigation by federal antitrust regulators to make sure that the combination won't be anticompetitive, according to the FTC...

Eugene Mayor Kitty Piercy and Springfield Mayor Sid Leiken, who said they'd had no contact with Hearthside Food, said Golden Temple has been a good employer and corporate citizen, and they hope a new owner of the cereal business would continue that track record.

Golden Temple deal near

A Michigan company reportedly has agreed to buy the Eugene cereal manufacturer despite legal disputes

By Sherri Buri McDonald

May 6, 2010, page A1

A Michigan food manufacturer has agreed to buy Golden Temple's cereal business in Eugene, according to sources close to the deal.

The Michigan company, Hearthside Food Solutions, makes cereals, granola bars and other baked foods for a variety of brands at its factories in Grand Rapids. Hearthside is owned by Wind Point Partners, a private equity firm in Chicago.

Representatives from Hearthside and Wind Point declined to comment on Wednesday, but an announcement is expected early next week.

Golden Temple also declined to comment.

Hearthside Food and Golden Temple have cleared the pre-merger waiting period required under federal law, according to the Federal Trade Commission. In general, a proposed merger worth more than \$65.2 million triggers an investigation by federal antitrust regulators to make sure that the combination won't be anticompetitive, according to the FTC.

Several sources close to the deal, who asked not to be named until it is officially announced, confirmed that the sale is pending.

The proposed sale affects only Golden Temple's 230-employee cereal division in Eugene, which makes bulk granola, private-label products, and Peace, Yogi and Sweet Home Farm branded cereals.

Golden Temple officials have said that they plan to keep the Yogi Tea business, which has a 50-employee plant in Springfield and 100 employees in Europe.

Eugene Mayor Kitty Piercy and Springfield Mayor Sid Leiken, who said they'd had no contact with Hearthside Food, said Golden Temple has been a good employer and corporate citizen, and they hope a new owner of the cereal business would continue that track record.

"We just don't want to lose any jobs here in this area," Piercy said. "We think (Golden Temple has) been a wonderful natural foods business and employer and we hope that the sale will not change that."

She said she would be disappointed if Wind Point Partners, the owner of Hearthside Food, is the type of private equity firm that buys a company only to turn around and sell it.

Private equity firms raise pools of money to invest in companies. Investors generally provide money with the understanding that the investment pool has a finite life, said Wayne Mikkelson, Cameron Distinguished Chair in Finance at the University of Oregon business school.

"When they look at a company to acquire they're already thinking at the time of acquisition about how they're going to potentially exit," he said.

Their upside is they often improve companies by finding efficiencies, Mikkelson said. But they use large amounts of debt financing to accomplish that, which can be controversial, he said.

Terry Sebastian, managing director of the university's Lundquist Center for Entrepreneurship and a managing director of Lake Pacific Partners, a Chicago private equity investment firm, said Wind Point is "a well-respected, successful firm" that "is not known to specialize in quick flips."

On average, private equity firms will hold an asset for five years, and typically not more than 10 years, he said.

It could be that Hearthside is acquiring Golden Temple to build a national company in cereal and baked goods, Sebastian speculated.

"It wouldn't surprise me if the manufacturing facility in Eugene began producing some of the Hearthside products more efficiently for distribution on the West Coast," he said.

The sale of the cereal division is moving ahead despite Golden Temple being embroiled in lawsuits in Oregon and California, including one over who is the rightful owner of the business.

Golden Temple's roots date to 1972 when members of the Eugene ashram devoted to the teachings of Yogi Bhajan began operating a small bakery in Springfield. The founders donated the business to the ashram when they moved on. It then was owned for years by the yogi's Sikh organization.

The leaders Yogi Bhajan appointed to continue his religious teachings after his death in 2004 are suing the leaders he chose to oversee the Sikh community's businesses over issues including control of the companies.

In late February, the sides reached a truce allowing the sale of the cereal division while the lawsuit continues.

The religious leaders said they signed off on the court order because the business leaders had "gone to such lengths to conceal their commitment to sell this business that by the time we discovered their plans, it was basically too late to stop the sale."

Under the order, the sale proceeds will be frozen until the lawsuit is resolved.

"Even though they entered into the stipulated order the Sikh community is very upset that this business is being sold and it's no longer going to be controlled by the Sikh organization," said John McGrory, the religious leaders' attorney. "That's very upsetting to them because it's part of their identity."

Golden Temple began as a whole-grains bakery in the back of the Health Food and Pool — as in pool table — Store near the Springfield Creamery's original plant.

"It would be generous to call it 150 square feet," said Cameron Healy, who said he borrowed \$1,000 from his sister to buy the bakery from its hippie founders.

"We wrote out a contract on a piece of torn-out cardboard," Healy recalled.

Back then, Healy was a University of Oregon student living in a south Eugene ashram focused on the kundalini yoga taught by Yogi Bhajan.

Healy, who later founded Kettle Chips, was with the group from 1971 to 1994.

In the tiny Springfield bakery, a separate operator made granola, Healy said. Nirvair Singh and Nirvair Kaur Khalsa, a couple in the Eugene ashram, bought out that business, and Golden Temple's cereal business was born. They later donated it to the ashram when they moved to Alaska, Nirvair Singh Khalsa said.

In the early days, the bakery was "very communal" and most of the fledgling ashram's 15 or so members were involved, Healy said.

"We'd get up at 3 in the morning to do our meditation and yoga, then make bread all day," he said.

"It was a lot of work, but it was a lot of fun," Healy said. "We were all young, idealistic and (wanted) to create a new world

and a way to express new values.”

“Eugene was a very fertile place of alternative culture and alternative lifestyles, particularly in natural foods,” he said. “There was a good network of natural foods and natural food cooperatives, some small manufacturers, a lot of cottage industry efforts.”

Operating the bakery was really a response to that,” Healy said.

“We were doing it as a yoga community, and had no sense of where that would be heading.”