

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-14616

J & J SNACK FOODS CORP.
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

22-1935537
(I.R.S. Employer
Identification No.)

6000 Central Highway
Pennsauken, New Jersey
(Address of principal executive offices)

08109
(Zip Code)

Registrant's telephone number, including area code:

(856) 665-9533

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, no par value

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ___ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ___ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer (___)

Accelerated filer (X)

Non-accelerated filer (___)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

As of November 20, 2006, the latest practicable date, 18,498,826 shares of the Registrant's common stock were issued and outstanding. The aggregate market value of shares held by non-affiliates of the Registrant on such date was \$459,583,385 based on the last sale price on March 24, 2006 of \$33.05 per share. March 24, 2006 was the last business day of the registrant's most recently completed second fiscal quarter.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's 2006 Annual Report to Shareholders for the fiscal year ended September 30, 2006 and Proxy Statement for its Annual Meeting of Shareholders to be held on February 7, 2007 are incorporated herein by reference into Parts I, II, III and IV as set forth herein.



Years of Growth

Profile

J&J Snack Foods Corp. is a manufacturer, marketer and distributor of an expanding variety of nutritional, popularly priced, branded snack foods and beverages for the food service and retail supermarket industries. The Company is listed on the NASDAQ Global Select Market as "JJRF", and serves both national and international markets.

Our growing portfolio of products includes soft pretzels, frozen beverages, frozen juice treats and electrics, cinnamon party, funnel cakes, cookies and bakery goods, and other snack foods and drinks. Consumers can enjoy these nutritional and tasty products in a variety of settings where people work, play, travel and shop.

The Company's growth is the result of a strategy that emphasizes active development of new and innovative products, penetration into existing market channels and expansion of established products into new markets. Our four business groups: Food Service, Frozen Beverages, Retail Supermarket, and The Restaurant Group, contributed to our 38th consecutive year of record sales in fiscal 2008.

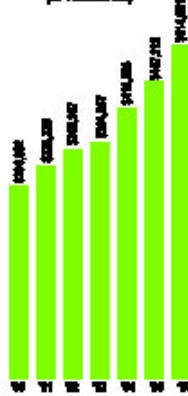
As we prepare for the future, J&J Snack Foods Corp. plans to continue expanding its unique snack product offerings by capitalizing on new opportunities wherever they may be found.

Financial Highlights

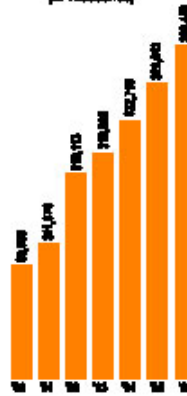
	Fiscal year ended in September						
	2006	2005	2004	2003	2002	2001	2000
	(in thousands except per share data)						
Net Sales	\$ 214,021	\$ 157,113	\$ 114,398	\$ 84,867	\$ 82,167	\$ 520,335	\$ 236,682
Net Earnings	\$ 26,458	\$ 28,043	\$ 22,710	\$ 18,822	\$ 18,118	\$ 11,429	\$ 9,866
Total Assets	\$249,608	\$305,524	\$277,424	\$328,479	\$220,086	\$224,491	\$230,239
Long-Term Debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28,394	\$ 42,461
Stockholders' Equity	\$82,673	\$29,782	\$218,626	\$183,364	\$184,703	\$144,143	\$133,274
Common Share Data							
Earnings Per Diluted Share	\$ 1.57	\$ 1.48	\$ 1.24	\$ 1.10	\$ 1.80	\$.88	\$.55
Earnings Per Basic Share	\$ 1.80	\$ 1.43	\$ 1.27	\$ 1.13	\$ 1.89	\$.76	\$.58
Book Value Per Share	\$ 14.23	\$ 12.85	\$ 11.67	\$ 10.43	\$ 9.44	\$ 8.46	\$ 7.82
Common Shares Outstanding At Year End	14,969	18,272	18,012	17,214	17,889	17,272	17,041
Cash Dividends Declared Per Share	\$.30	\$.28	\$ —	\$ —	\$ —	\$ —	\$ —

All share amounts reflect the 3-for-1 stock split effective January 2, 2004.

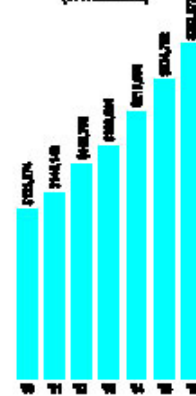
NET SALES
(in Thousands)



NET EARNINGS
(in Thousands)



STOCKHOLDERS' EQUITY
(in Thousands)



J&J Snack Foods
"The story so far..."

"Street kid turned entrepreneur buys bankrupt South Jersey based soft pretzel company in 1971. First year sales for the tiny company, about \$400 thousand, with 8 employees... creates SUPERPRETZEL Brand and hand selects talented, hard-working people to share his vision, and the company becomes niche player in multi-billion-dollar snack food industry. Stated strategy of "niche product, low-cost producer, and successful marketing and distribution" becomes a mandate and business model for organization. Acquires other niche products and companies, has successful IPO in 1986 with \$18 million in

sales. ICEE USA, a west coast specialty drink company, acquired in 1987. Organization gathers momentum through the 90's and further complements sales growth with key licenses, new products, and line extensions. Recognition and awards from industry include six-time selection in *Forbes* "200 Best Small Companies" and opening the NASDAQ market by "ringing the bell" in 2004. At the conclusion of fiscal year 2005, company continues its streak of 34 straight years of sales growth marked with ambitious plans for its 35th anniversary year in 2006."

**To our Shareholders and Friends:
35 and celebrate...**

Shhhhh... Shhhhh.... We have a celebration going on... But shhh... not too loud or too long.

We had something to celebrate this past year as we achieved record sales and earnings as we completed our 35th anniversary year. We certainly did!! But the celebration can only be brief, even if it is hearty, as we set our goals and focus on continuing this proud and remarkable record we are developing. I know numbers can sometimes be skewed and maybe spun, but there's something to shout about in these numbers.

FOR FISCAL YEAR 2006

- Net sales climbed 13% to \$514.8 million.
- Net earnings rose 13% to \$29.5 million.
- Operating income increased 12% to \$45.1 million.
- Earnings per share increased 12% to \$1.57.

While we benefited this past year by virtue of a 14-week fourth quarter or 53-week year, the outstanding performance of our business groups made this happen. Our 35th year anniversary is a record setting year again!!

35 YEARS OF GROWTH

- 35 straight years of sales growth
 - 35 straight profitable years
 - 140 straight quarters of sales increases
 - 140 straight quarters of profitability
-

FOOD SERVICE

Our Food Service segment had an outstanding year again!! Soft pretzel sales led by our SUPERPRETZEL Brand were up 14% for the year. Frozen juice bar and dessert sales climbed 12% for the year, led by new products being sold through school food service and health care feeding. Bakery sales were up 12% for the year and Churro sales climbed sharply through geographic expansion.

RETAIL

Supermarket sales increased 11% for the year overall. All retail category sales grew, led by frozen juice bars and ices, including LUIGI'S and MINUTE MAID, with new flavors and packages.

FROZEN BEVERAGES

ICEE and frozen beverages and related product sales were up 11% for the year. We acquired the Hawaii ICEE distributorship in January of 2006, and in May, we acquired the assets and business of SLUSH PUPPIE from Dr Pepper/7-Up Inc. in a cash transaction. SLUSH PUPPIE, together with our leading ICEE Brand, give us the #1 and #2 brands of frozen beverages, both carbonated and uncarbonated. In addition, our managed service business continues to grow.

"200 BEST" COMPANIES AGAIN

At the close of our fiscal year *Forbes* magazine notified us that we had again been selected as one of the "200 Best Small Companies in America." This marks the 6th time and the 4th year in a row that we were chosen. We salute our people who are responsible for achieving this kind of distinction. Importantly, we salute this country - our USA - for providing opportunities that allow for our success.

GOTTA GO... CELEBRATION OVER.

We are on to our new challenges. 36 anyone??

With pride and respect for my people,
customers and friends,

Sincerely,



Gerald B. Shreiber
President and Chairman
December 1, 2006



Gerry Shreiber narrating at a
salute to America celebration
September, 2006.

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PART I

Item 1. Business

General

J & J Snack Foods Corp. (the “Company” or “J & J”) manufactures nutritional snack foods and distributes frozen beverages which it markets nationally to the food service and retail supermarket industries. The Company’s principal snack food products are soft pretzels marketed primarily under the brand name SUPERPRETZEL and frozen juice treats and desserts marketed primarily under the LUIGI’S, ICEE, BARQ’S*, MINUTE MAID**, and CHILL*** brand names. J & J believes it is the largest manufacturer of soft pretzels in the United States, Mexico and Canada. Other snack food products include churros (an Hispanic pastry), funnel cake, popcorn and bakery products. The Company’s principal frozen beverage products are the ICEE brand frozen carbonated beverage and the SLUSH PUPPIE brand frozen uncarbonated beverage.

The Company’s Food Service and Frozen Beverages sales are made primarily to food service customers including snack bar and food stand locations in leading chain, department, discount, warehouse club and convenience stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; movie theatres; independent retailers; and schools, colleges and other institutions. The Company’s retail supermarket customers are primarily supermarket chains. The Company’s restaurant group sells direct to the public through its chains of specialty snack food retail outlets, BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, located primarily in the Mid-Atlantic States.

The Company was incorporated in 1971 under the laws of the State of New Jersey.

The Company operates in four business segments: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. These segments are described below.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment (see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 — Financial Statements and Supplementary Data for financial information about segments).

Food Service

The primary products sold by the food service segment are soft pretzels, frozen juice treats and desserts, churros and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket industry are soft pretzel products — including SUPERPRETZEL, frozen juice treats and desserts including LUIGI’S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, BARQ’S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE’S Churros. Within the retail supermarket industry, our frozen and prepackaged products are purchased by the consumer for consumption at home.

* BARQ’S is a registered trademark of Barq’s Inc.

** MINUTE MAID is a registered trademark of the Coca-Cola Company.

*** CHILL is a registered trademark of Wells Dairy, Inc.

The Restaurant Group

We sell direct to the public through our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

Frozen Beverages

We sell frozen beverages to the food service industry primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada.

Products

Soft Pretzels

The Company's soft pretzels are sold under many brand names; some of which are: SUPERPRETZEL, PRETZEL FILLERS, PRETZELFILS, GOURMET TWISTS, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, SOFT PRETZEL BUNS, HOT KNOTS, DUTCH TWIST, TEXAS TWIST, SANDWICH TWIST, CINNAPRETZEL* and SERIOUSLY TWISTED!; and, to a lesser extent, under private labels. Soft pretzels are sold in the Food Service, Retail Supermarket and The Restaurant Group segments. Soft pretzel sales amounted to 24% of the Company's revenue in fiscal years 2006 and 2005 and 25% in 2004.

The Company's soft pretzels qualify under USDA regulations as the nutritional equivalent of bread for purposes of the USDA school lunch program, thereby enabling a participating school to obtain partial reimbursement of the cost of the Company's soft pretzels from the USDA.

The Company's soft pretzels are manufactured according to a proprietary formula. Soft pretzels, ranging in size from one to ten ounces in weight, are shaped and formed by the Company's proprietary twister machines. These soft pretzel tying machines are automated, high-speed machines for twisting dough into the traditional pretzel shape. Additionally, we make soft pretzels which are extruded or shaped by hand. Soft pretzels, after processing, are primarily quick-frozen in either raw or baked form and packaged for delivery.

The Company's principal marketing program in the Food Service segment includes supplying ovens, mobile merchandisers, display cases, warmers and similar merchandising equipment to the retailer to prepare and promote the sale of soft pretzels. Some of this equipment is proprietary, including combination warmer and display cases that reconstitute frozen soft pretzels while displaying them, thus eliminating the need for an oven. The Company retains ownership of the equipment placed in customer locations, and as a result, customers are not required to make an investment in equipment.

Frozen Juice Treats and Desserts

The Company's frozen juice treats and desserts are marketed under the LUIGI'S, ICEE, BARQ'S, MINUTE MAID, SHAPE UPS, CHILL and MAMA TISH'S brand names. Frozen juice treats and desserts are sold in the Food Service and Retail Supermarkets segments. Frozen juice treats and dessert sales were 14% of the Company's revenue in fiscal years 2006, 2005 and 2004.

The Company's SHAPE UPS and MINUTE MAID frozen juice and fruit bars are manufactured from an apple juice base to which water, sweeteners, coloring (in some cases) and flavorings are added. The juice bars contain two to three ounces of apple or pear juice and the minimum daily requirement of vitamin C, and qualify as reimbursable items under the USDA school lunch program. The juice bars are produced in various flavors and are packaged in a sealed push-up paper container referred to as the Milliken M-pak, which the Company believes has certain sanitary and safety advantages.

* CINNAPRETZEL is a registered trademark of Cinnabon, Inc.

LUIGI'S Real Italian Ice, LUIGI'S Sherbet, CHILL, MAMA TISH'S Italian Ice and Sorbets are manufactured from water, sweeteners and fruit juice concentrates in various flavors and are packaged in plastic cups and in squeeze-up tubes.

ICEE Squeeze-Up Tubes are designed to capture the frozen taste of a traditional ICEE drink. They are packaged in three- and four-ounce squeeze-up tubes.

MINUTE MAID Soft Frozen Lemonade and FRUIT & CREAM SWIRL and BARQ'S FLOATZ are packaged in squeeze-up tubes and cups.

Churros

The Company's churros are sold primarily under the TIO PEPE'S brand name. Churros are sold to the Food Service and Retail Supermarkets segments. Churro sales were 4% of the Company's sales in fiscal year 2006 and 3% in 2005 and 2004 respectively. Churros are Hispanic donuts in stick form which the Company produces in several sizes according to a proprietary formula. The churros are deep fried, frozen and packaged. At food service point-of-sale they are reheated and topped with a cinnamon sugar mixture. The Company also sells fruit- and crème-filled churros. The Company supplies churro merchandising equipment similar to that used for its soft pretzels.

Bakery Products

The Company's bakery products are marketed under the MRS. GOODCOOKIE, CAMDEN CREEK BAKERY, READI-BAKE, COUNTRY HOME and PRETZEL COOKIE brand names, and under private labels. Bakery products include primarily cookies, muffins and donuts. Bakery products are sold to the Food Service segment. Bakery products sales amounted to 28% of the Company's sales in fiscal years 2006 and 2005 and 27% in 2004.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada. Additional frozen beverages are ICEE PEAK, JAVA FREEZE and CALIFORNIA NATURAL. Frozen beverages are sold in the Food Service, The Restaurant Group and Frozen Beverages segments. Frozen beverage sales amounted to 19% of revenue in fiscal 2006, 20% in fiscal 2005 and 22% in fiscal 2004.

Under the Company's principal marketing program for frozen carbonated beverages, it installs frozen beverage dispensers for its ICEE and ARCTIC BLAST brands at customer locations and thereafter services the machines, arranges to supply customers with ingredients required for production of the frozen beverages, and supports customer retail sales efforts with in-store promotions and point-of-sale materials. In most cases, the Company retains ownership of its dispensers, and as a result, customers are not required to make an investment in equipment or arrange for the ingredients and supplies necessary to produce and market the frozen beverages. In fiscal 1999, the Company began providing installation and maintenance service only to a large, quick-service restaurant and others, which resulted in the increase of customer-owned beverage dispensers beginning in 1999. The Company also provides managed service and sells equipment in its Frozen Beverages segment, revenue from which amounted to 9% and 8% of the Company's sales in fiscal years 2006 and 2005, respectively. In fiscal 2006, through an acquisition, the Company began to sell frozen uncarbonated beverages under the SLUSH PUPPIE brand through a distributor network.

Each new frozen carbonated customer location requires a frozen beverage dispenser supplied by the Company or by the customer. Company-supplied frozen carbonated dispensers are purchased from outside vendors, built new or rebuilt by the Company.

The Company provides managed service and/or products to approximately 72,000 Company-owned and customer-owned dispensers.

The Company has the rights to market and distribute frozen beverages under the name ICEE to all the continental United States (except for portions of eleven states) as well as internationally.

Other Products

Other products sold by the Company include soft drinks, funnel cakes sold under the FUNNEL CAKE FACTORY brand name, popcorn sold under the AIRPOPT brand name and smaller amounts of various other food products. These products are sold in the Food Service, The Restaurant Group and Frozen Beverages segments.

Customers

The Company sells its products to two principal customer groups: food service and retail supermarkets. The primary products sold to the food service group are soft pretzels, frozen beverages, frozen juice treats and desserts, churros and baked goods. The primary products sold to the retail supermarket industry are soft pretzels and frozen juice treats and desserts. Additionally, the Company sells soft pretzels, frozen beverages and various other food products direct to the public through its restaurant group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

The Food Service, The Restaurant Group and the Frozen Beverages segments sell primarily to the food service industry. The Retail Supermarkets segment sells to the retail supermarket industry.

The Company's customers in the food service industry include snack bars and food stands in chain, department and mass merchandising stores such as Kmart, Wal-Mart and Target; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks such as Disneyland, Walt Disney World, Universal Studios, Sea World, Six Flags, Hershey Park and Busch Gardens; convenience stores such as 7-Eleven, Circle K, AM/PM and Wawa; movie theatres; warehouse club stores such as Sam's Club, Costco and B.J.'s; schools, colleges and other institutions; and independent retailers such as Mrs. Fields. Food service concessionaires purchasing soft pretzels and other products from the Company for use in sports arenas and for institutional meal services include ARAMARK, Sodexo and Delaware North. Machines and machine parts are sold to other food and beverage companies. Within the food service industry, the Company's products are purchased by the consumer primarily for consumption at the point-of-sale.

The Company sells its products to over 90% of supermarkets in the United States. Products sold to retail supermarket customers are primarily soft pretzel products, including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, BARQ'S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, the Company's frozen and prepackaged products are purchased by the consumer for consumption at home.

Marketing and Distribution

The Company has developed a national marketing program for its products. For Food Service and Frozen Beverages segments' customers, this marketing program includes providing ovens, mobile merchandisers, display cases, warmers, frozen beverage dispensers and other merchandising equipment for the individual customer's requirements and point-of-sale materials as well as participating in trade shows and in-store demonstrations. The Company's ongoing advertising and promotional campaigns for its Retail Supermarket segment's products include trade shows, newspaper advertisements with coupons, in-store demonstrations, billboards, and periodically, television advertisements.

The Company develops and introduces new products on a routine basis. The Company evaluates the success of new product introductions on the basis of sales levels, which are reviewed no less frequently than monthly by the Company's Chief Operating Decision Makers.

The Company's products are sold through a network of about 200 food brokers and over 1,000 independent sales distributors and the Company's own direct sales force. For its snack food products, the Company maintains warehouse and distribution facilities in Pennsauken, Bellmawr and Bridgeport, New Jersey; Vernon (Los Angeles), California; Scranton, Pittsburgh, Hatfield and Lancaster, Pennsylvania; Carrollton (Dallas), Texas; Atlanta, Georgia and Solon, Ohio. Frozen beverages are distributed from 97 Company managed warehouse and distribution facilities located in 44 states, Mexico and Canada, which allow the Company to directly service its customers in the surrounding areas. The Company's products are

shipped in refrigerated and other vehicles from the Company's manufacturing and warehouse facilities on a fleet of Company-operated tractor trailers, trucks and vans, as well as by independent carriers.

Seasonality

The Company's sales are seasonal because frozen beverage sales and frozen juice treats and desserts sales are generally higher during the warmer months and sales of the Company's retail stores are generally higher in the Company's first quarter during the holiday shopping season.

Trademarks and Patents

The Company has numerous trademarks, the most important of which are SUPERPRETZEL, DUTCH TWIST, TEXAS TWIST, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, PRETZEL FILLERS and PRETZELFILS for its pretzel products; FROSTAR, SHAPE-UPS, MAMA TISH'S and LUIGI'S for its frozen juice treats and desserts; TIO PEPE'S for its churros; ARCTIC BLAST and SLUSH PUPPIE for its frozen beverages; FUNNEL CAKE FACTORY for its funnel cake products, and MRS. GOODCOOKIE, READI-BAKE, COUNTRY HOME and CAMDEN CREEK for its bakery products.

The trademarks, when renewed and continuously used, have an indefinite term and are considered important to the Company as a means of identifying its products.

The Company markets frozen beverages under the trademark ICEE in all of the continental United States, except for portions of eleven states, and in Mexico and Canada. Additionally, the Company has the international rights to the trademark ICEE.

The Company has numerous patents related to the manufacturing and marketing of its product.

Supplies

The Company's manufactured products are produced from raw materials which are readily available from numerous sources. With the exception of the Company's soft pretzel twisting equipment and funnel cake production equipment, which are made for J & J by independent third parties, and certain specialized packaging equipment, the Company's manufacturing equipment is readily available from various sources. Syrup for frozen beverages is purchased from The Coca-Cola Company, Dr Pepper/Seven Up, Inc., the Pepsi Cola Company, and Western Syrup Company. Cups, straws and lids are readily available from various suppliers. Parts for frozen beverage dispensing machines are purchased from several sources. Frozen beverage dispensers are purchased primarily from IMI Cornelius, Inc. and Lancer FBD.

Competition

Snack food and bakery products markets are highly competitive. The Company's principal products compete against similar and different food products manufactured and sold by numerous other companies, some of which are substantially larger and have greater resources than the Company. As the soft pretzel, frozen juice treat and dessert, bakery products and related markets grow, additional competitors and new competing products may enter the markets. Competitive factors in these markets include product quality, customer service, taste, price, identity and brand name awareness, method of distribution and sales promotions.

The Company believes it is the only national distributor of soft pretzels. However, there are numerous regional and local manufacturers of food service and retail supermarket soft pretzels. Competition is also increasing in that there are several chains of retail pretzel stores that have aggressively expanded over the past several years. These chains compete with the Company's products.

In Frozen Beverages the Company competes directly with other frozen beverage companies. These include several companies which have the right to use the ICEE name in portions of eleven states. There are many other regional frozen beverage competitors throughout the country and one large retail chain which uses its own frozen beverage brand.

The Company competes with large soft drink manufacturers for counter and floor space for its frozen beverage dispensing machines at retail locations and with products which are more widely known than the ICEE, SLUSH PUPPIE and ARCTIC BLAST frozen beverages.

The Company competes with a number of other companies in the frozen juice treat and dessert and bakery products markets.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were \$7,889,000, \$7,034,000 and \$5,694,000 in years 2006, 2005 and 2004, respectively. At September 30, 2006, the total assets of our foreign operations were approximately \$5.3 million or 2% of total assets.

Employees

The Company has approximately 2,300 full- and part-time employees as of September 30, 2006. Certain production and distribution employees at the Pennsauken and Bridgeport, New Jersey plants are covered by a collective bargaining agreement which expires in September 2009.

The production employees at our Atlanta, Georgia plant are covered by a collective bargaining agreement which expires in January 2008. The Company considers its employee relations to be good.

Available Information

The Company's internet address is www.jjsnack.com. On the investor relations section of its website, the Company provides free access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem insignificant may also impair our business operations. Following is a discussion of known potentially significant risks which could result in harm to our business, financial condition or results of operations.

Risks of Shortages or Increased Cost of Raw Materials

We are exposed to the market risks arising from adverse changes in commodity prices affecting the cost of our raw materials and energy. The raw materials and energy which we use for the production and distribution of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. We purchase these materials and energy mainly in the open market. If commodity price changes result in increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating income.

General Risks of the Food Industry

Food processors are subject to the risks of adverse changes in general economic conditions; evolving consumer preferences and nutritional and health-related concerns; changes in food distribution channels; federal, state and local food processing controls or other mandates; consumer product liability claims; and risks of product tampering. The increased buying power of large supermarket chains, other retail outlets and wholesale food vendors tend to resist price increases and could alter the pattern of customer inventory levels and access to shelf space.

Environmental Risks

The disposal of solid and liquid waste material resulting from the preparation and processing of foods are subject to various federal, state and local laws and regulations relating to the protection of the environment. Such laws and regulations have an important effect on the food processing industry as a whole, requiring substantially all firms in the industry to incur material expenditures for modification of existing processing facilities and for construction of upgraded or new waste treatment facilities.

We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist. Enactment of more stringent laws or regulations or more strict interpretation of existing laws and regulations may require additional expenditures by us, some of which could be material.

Risks Resulting from Several Large Customers

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 45% of our sales during fiscal 2006 with our largest customer accounting for 8% of our 2006 sales. Three of the ten customers are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

Competition

Our businesses operate in highly competitive markets. We compete against national and regional manufacturers and distributors on the basis of price, quality, product variety and effective distribution. Many of our major competitors on the market are larger and have greater financial and marketing resources than we do. Increased competition and anticipated actions by our competitors could lead to downward pressure on prices and/or a decline in our market share, either of which could adversely affect our results. See "Competition" in Item 1 for more information about our competitors.

Risks Relating to Manufacturing

Our ability to purchase, manufacture and distribute products is critical to our success. Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemic, political upheaval, strikes or other reasons could impair our ability to manufacture or distribute our products.

Our Certificate of Incorporation may inhibit a change in control that you may favor

Our Certificate of Incorporation contains provisions that may delay, deter or inhibit a future acquisition of J & J Snack Foods Corp. not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if a substantial number or even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in

connection with the transaction. Provisions that could delay, deter or inhibit a future acquisition include the following:

- a classified Board of Directors;
- the requirement that our shareholders may only remove Directors for cause;
- limitations on share holdings and voting of certain persons;
- special Director voting rights; and
- the ability of the Board of Directors to consider the interests of various constituencies, including our employees, customers, suppliers, creditors and the local communities in which we operate.

Risks Relating to the Control by Gerald B. Shreiber

Gerald B. Shreiber is the founder of the Company and the current beneficial owner of 24% of its outstanding stock. Our Certificate of Incorporation provides that he has three votes on the Board of Directors (subject to certain adjustments). Therefore, he and one other director have voting control of the Board. The performance of this Company is greatly impacted by his leadership and decisions. His voting control reduces the restrictions on his actions. His retirement, disability or death will have a significant impact on our future operations.

Risk Related to Product Changes

There are risks in the marketplace related to trade and consumer acceptance of product improvements, packing initiatives and new product introductions.

Risks Related to Change in the Business

Our ability to successfully manage changes to our business processes, including selling, distribution, product capacity, information management systems and the integration of acquisitions, will directly affect our results of operations.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were \$7,889,000, \$7,034,000 and \$5,694,000 in years 2006, 2005 and 2004, respectively. At September 30, 2006, the total assets of our foreign operations were approximately \$5.3 million or 2% of total assets.

Seasonality and Quarterly Fluctuations

Our sales are affected by the seasonal demand for our products. Demand is greater during the summer months primarily as a result of the warm weather demand for our ICEE and frozen juice bar products. Because of seasonal fluctuations, there can be no assurance that the results of any particular quarter will be indicative of results for the full year or for future years.

Item 1B. Unresolved Staff Comments

We have no unresolved SEC staff comments to report.

Item 2. Properties

The Company's primary east coast manufacturing facility is located in Pennsauken, New Jersey in a 70,000 square foot building on a two-acre lot. Soft pretzels are manufactured at this Company-owned facility which also serves as the Company's corporate headquarters. This facility operates at approximately 70% of capacity. The Company leases a 101,200 square foot building adjacent to its manufacturing facility in Pennsauken, New Jersey through March 2012. The Company has constructed a large freezer within this facility for warehousing and distribution purposes. The warehouse has a utilization rate of 80-90% depending on product demand. The Company also leases, through September 2011, 16,000 square feet of office and warehouse space located next to the Pennsauken, New Jersey plant.

The Company owns a 150,000 square foot building on eight acres in Bellmawr, New Jersey. Approximately 30% of the facility is leased to a third party. The amount of the sublease income is not material to the Company's financial statements. The remainder is used by the Company to manufacture some of its products including funnel cake, pretzels, churros and cookies. The facility operates at about 50% of capacity.

The Company's primary west coast manufacturing facility is located in Vernon (Los Angeles), California. It consists of a 137,000 square foot facility in which soft pretzels, churros and various lines of baked goods are produced and warehoused. Included in the 137,000 square foot facility is a 30,000 square foot freezer used for warehousing and distribution purposes which was constructed in 1996. The facility is leased through November 2017. The Company leases an additional 45,000 square feet of office and warehouse space adjacent to its manufacturing facility through November 2017. The manufacturing facility operates at approximately 70% of capacity.

The Company leases an 85,000 square foot bakery manufacturing facility located in Atlanta, Georgia. The lease runs through December 2010. The facility operates at about 50% of capacity.

The Company owns a 46,000 square foot frozen juice treat and dessert manufacturing facility located on three acres in Scranton, Pennsylvania. The facility, which was expanded from 26,000 square feet in 1998, operates at approximately 75% of capacity.

The Company leases a 29,635 square foot soft pretzel manufacturing facility located in Hatfield, Pennsylvania. The lease runs through June 2017. The facility operates at approximately 65% of capacity.

The Company leases a 19,200 square foot soft pretzel manufacturing facility located in Carrollton, Texas. The lease runs through April 2011. The facility operates at approximately 80% of capacity. The Company leases an additional property containing a 6,500 square foot storage freezer across the street from the manufacturing facility, which lease expires May 2016.

The Company leases an 18,000 square foot soft pretzel manufacturing facility located in Chambersburg, Pennsylvania. The lease runs through September 2007 with options to extend the term. The facility operates at approximately 60% of capacity.

The Company's fresh bakery products manufacturing facility and offices are located in Bridgeport, New Jersey in two buildings totaling 94,320 square feet. The buildings are leased through December 2011. The manufacturing facility operates at approximately 40% of capacity.

The Company's Bavarian Pretzel Bakery headquarters and warehouse and distribution facilities are owned and located in an 11,000 square foot building in Lancaster, Pennsylvania.

The Company also leases approximately 125 warehouse and distribution facilities in 44 states, Mexico and Canada.

Item 3. Legal Proceedings

The Company has no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject.

Item 4. Submission Of Matters To A Vote Of Security Holders

There were no matters submitted to a vote of the security holders during the quarter ended September 30, 2006.

PART II**Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "JJSF." The following table sets forth the high and low sale price quotations as reported by NASDAQ for the common stock for each quarter of the years ended September 24, 2005 and September 30, 2006.

	High	Low
<u>Fiscal 2005</u>		
First quarter	\$ 24.68	\$ 20.13
Second quarter	25.20	21.55
Third quarter	27.52	22.43
Fourth quarter	30.00	25.48
<u>Fiscal 2006</u>		
First quarter	\$ 32.34	\$ 26.55
Second quarter	35.22	29.09
Third quarter	35.51	29.76
Fourth quarter	33.94	28.58

On November 20, 2006, there were 18,498,826 shares of common stock outstanding. Those shares were held by approximately 2,600 beneficial shareholders and shareholders of record.

A 2-for-1 stock split per common share was distributed January 5, 2006 to shareholders of record on December 15, 2005. All share amounts in this Form 10-K reflect the stock split.

The Company paid cash dividends of \$5,273,000 and \$3,400,000 in fiscal years 2006 and 2005, respectively.

The Company's Board of Directors declared a cash dividend of \$.075 per common share payable October 5, 2006 to shareholders of record on September 15, 2006, and a cash dividend of \$.085 per common share payable January 4, 2007 to shareholders of record on December 15, 2006. The cash dividend of \$.085/share represents a 13% increase from the previous quarterly dividend rate of \$.075/share. The Company anticipates that its Board of Directors will continue to declare quarterly cash dividends; however, the continuance of cash dividends is not guaranteed and is dependent on many factors.

The Company did not repurchase any of its common stock in fiscal years 2006, 2005 and 2004.

For information on the Company's Equity Compensation Plans, please see Item 12 herein.

Item 6. Selected Financial Data

	Fiscal year ended in September (In thousands except per share data)				
	2006	2005	2004	2003	2002
Net Sales	\$ 514,831	\$ 457,112	\$ 416,588	\$ 364,567	\$ 353,187
Net Earnings	\$ 29,450	\$ 26,043	\$ 22,710	\$ 19,902	\$ 18,113
Total Assets	\$ 340,808	\$ 305,924	\$ 277,424	\$ 239,478	\$ 220,036
Long-Term Debt	\$ —	\$ —	\$ —	\$ —	\$ —
Stockholders' Equity	\$ 262,873	\$ 234,762	\$ 210,096	\$ 182,564	\$ 168,709
Common Share Data					
Earnings Per Diluted Share	\$ 1.57	\$ 1.40	\$ 1.24	\$ 1.10	\$ 1.00
Earnings Per Basic Share	\$ 1.60	\$ 1.43	\$ 1.27	\$ 1.13	\$ 1.04
Book Value Per Share	\$ 14.23	\$ 12.85	\$ 11.67	\$ 10.43	\$ 9.48
Common Shares Outstanding At Year End	18,468	18,272	18,012	17,514	17,806
Cash Dividends Declared Per Common Share	\$.30	\$.25	\$ —	\$ —	\$ —

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

In addition to historical information, this discussion and analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Critical Accounting Policies, Judgments and Estimates

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of those financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company discloses its significant accounting policies in the accompanying notes to its audited consolidated financial statements.

Judgments and estimates of uncertainties are required in applying the Company's accounting policies in certain areas. Following are some of the areas requiring significant judgments and estimates: revenue recognition, accounts receivable, cash flow and valuation assumptions in performing asset impairment tests of long-lived assets, estimates of the useful lives of intangible assets and insurance reserves.

There are numerous critical assumptions that may influence accounting estimates in these and other areas. We base our critical assumptions on historical experience, third-party data and various other estimates we believe to be reasonable. A description of the aforementioned policies follows:

Revenue Recognition — We recognize revenue from our products when the products are shipped to our customers and when equipment service is performed for our customers who are charged on a time and material basis. We also sell equipment service contracts with terms of coverage ranging between 12 and 60 months. We record deferred income on equipment service contracts which is amortized by the straight-line method over the term of the contracts. We record offsets to revenue for allowances, end-user pricing adjustments and trade spending. Off-invoice allowances are deducted directly from the amount invoiced to our customer when our products are shipped to the customer. Offsets to revenue for allowances, end-user pricing adjustments and trade spending are recorded primarily as a reduction of accounts receivable based on our estimates of liability which are based on customer programs and historical experience. These offsets to revenue are based primarily on the quantity of product purchased over specific time periods. For our Retail Supermarket and Frozen Beverages segments, we accrue for the liability based on products sold multiplied by per product offsets. Offsets to revenue for our Food Service segment are calculated in a similar manner for offsets owed to our direct customers; however, because shipments to end-users are unknown to us until reported by our direct customers or by the end-users, there is a greater degree of uncertainty as to the accuracy of the amounts accrued for end-user offsets. Additional uncertainty may occur as customers take deductions when they make payments to us. This creates complexities because our customers do not always provide reasons for the deductions taken. Additionally, customers may take deductions to which they are not entitled and the length of time customers take deductions to which they are entitled can vary from two weeks to well over a year. Because of the aforementioned uncertainties, the process to determine the amount of liability to record is cumbersome and subject to inaccuracies. However, we feel that due to constant monitoring of the process, any inaccuracies would not be material. Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately \$8,938,000 and \$8,084,000 at September 30, 2006 and September 24, 2005, respectively. The increase in our recorded liability resulted from the general increases in our business.

Accounts Receivable — We record accounts receivable at the time revenue is recognized. Bad debt expense is recorded in marketing and administrative expenses. The amount of the allowance for doubtful accounts is based on our estimate of the accounts receivable amount that is uncollectable. It is comprised of a general reserve based on historical experience and amounts for specific customers' accounts receivable balances that we believe are at risk due to our knowledge of facts regarding the customer(s). We continually monitor our estimate of the allowance for doubtful accounts and adjust it monthly. We usually have 2 to 3 customers with accounts receivable balances of between \$1.5 million to \$4 million. Failure of these customers, and others with lesser balances, to pay us the amounts owed could have a material impact on our consolidated financial statements.

Accounts receivable due from any of our customers is subject to risk. Our total bad debt expense was \$300,000, \$112,000 and \$245,000 for the fiscal years 2006, 2005 and 2004 respectively. At September 30, 2006 and September 24, 2005, our accounts receivables were \$53,033,000 and \$46,261,000, net of an allowance for doubtful accounts of \$963,000 and \$1,054,000.

Asset Impairment — Goodwill of our restaurant group reporting unit decreased by \$52,000 in 2004 and goodwill of our frozen beverages reporting unit increased by \$679,000 in 2004. In 2005, goodwill of our food service reporting unit increased by \$7,145,000 as a result of the acquisition of Snackworks, LLC and in 2006 by \$839,000 as a result of a smaller acquisition. In 2006, goodwill of our frozen beverages reporting unit increased by \$3,487,000 as a result of the acquisitions of ICEE of Hawaii and SLUSH PUPPIE.

We have three reporting units with goodwill totaling \$57,948,000 as of September 30, 2006. We utilize historical reporting unit cash flows (defined as reporting unit operating income plus depreciation and amortization) as a proxy for expected future reporting unit cash flows to evaluate the fair value of these reporting units. If the fair value estimated substantially exceeds the carrying value of the reporting unit, including the goodwill, if any, associated with that unit, we do not recognize any impairment loss. We do not engage a third party to assist in this analysis as we believe that our in-house expertise is adequate to perform the analysis.

Licenses and rights are being amortized by the straight-line method over periods ranging from 4 to 20 years and amortization expense is reflected throughout operating expenses. The gross carrying amount of intangible assets increased by \$5,831,000 in 2005 primarily as a result of the acquisition of \$6,080,000 of intangible assets of Snackworks, LLC. The gross carrying amount of intangible assets increased by \$17,034,000 in 2006 primarily as a result of the acquisition of \$15,188,000 of intangible assets of the SLUSH PUPPIE business. Long-lived assets, including fixed assets and intangibles, are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Cash flow analyses are used to assess impairment. The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

Insurance Reserves — We have a self-insured medical plan which covers approximately 1,000 of our employees. We record a liability for incurred but not yet paid claims based on our historical experience of claims payments and a calculated lag time period. We maintain a spreadsheet that includes claims payments made each month according to the date the claim was incurred. This enables us to have an historical record of claims incurred but not yet paid at any point in the past. We then compare our accrued liability to the more recent claims incurred but not yet paid amounts and adjust our recorded liability up or down accordingly. Our recorded liability at September 30, 2006 and September 24, 2005 was \$1,101,000 and \$1,536,000, respectively. Considering that we have stop loss coverage of \$125,000 for each individual plan subscriber, the general consistency of claims payments and the short time lag, we believe that there is not a material exposure for this liability. Because of the foregoing, we do not engage a third party actuary to assist in this analysis.

We self-insure, up to loss limits, worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal year 2006 and 2005 was \$2,800,000 and

\$2,700,000, respectively. Our total recorded liability for all years' claims incurred but not yet paid was \$7,650,000 and \$6,450,000 at September 30, 2006 and September 24, 2005, respectively. We estimate the liability based on total incurred claims and paid claims adjusting for loss development factors which account for the development of open claims over time. We estimate the amounts we expect to pay for some insurance years by multiplying incurred losses by a loss development factor which is based on insurance industry averages and the age of the incurred claims; our estimated liability is then the difference between the amounts we expect to pay and the amounts we have already paid for those years. Loss development factors that we use range from 1.0 to 1.73. However, for some years, the estimated liability is the difference between the amounts we have already paid for that year and the maximum we could pay under the program in effect for that particular year because the calculated amount we expect to pay is higher than the maximum. For other years, where there are few claims open, the estimated liability we record is the amount the insurance company has reserved for those claims. We evaluate our estimated liability on a continuing basis and adjust it accordingly. Due to the multi-year length of these insurance programs, there is exposure to claims coming in lower or higher than anticipated; however, due to constant monitoring and stop loss coverage on individual claims, we believe our exposure is not material. Because of the foregoing, we do not engage a third party actuary to assist in this analysis. In connection with these self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 30, 2006 and September 24, 2005, we had outstanding letters of credit totaling approximately \$8,620,000 and \$7,700,000, respectively.

Refer to Note A to the accompanying consolidated financial statements for additional information on our accounting policies.

RESULTS OF OPERATIONS

Fiscal 2006 (53 weeks) Compared to Fiscal 2005 (52 weeks)

Net sales increased \$57,719,000 or 13% to \$514,831,000 in fiscal 2006 from \$457,112,000 in fiscal 2005. Adjusting for sales related to the acquisitions of Snackworks, LLC in March 2005, ICEE of Hawaii in January 2006 and SLUSH PUPPIE in May 2006, sales increased approximately 10%, or \$43,576,000.

We have four reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

Food Service

Sales to food service customers increased \$40,044,000 or 14% to \$320,167,000 in fiscal 2006. Excluding sales from the acquisition of Snackworks, LLC, sales increased \$34,303,000, or 12%. Soft pretzel sales to the food service market increased \$12,273,000, or 14%, to \$99,581,000 for the 2006 year due primarily to the acquisition of Snackworks, LLC. Excluding Snackworks sales, pretzel sales increased \$6,532,000, or 7%, with much of the increase coming from new business generated by Snackworks' products. Sales of bakery products increased \$15,189,000, or 12%, for the year. The increased sales were primarily to our private label and industrial business customers. Two customers accounted for 75% of the sales increase. Churro sales increased 50% to \$22,154,000 due primarily to increased sales to one customer. Frozen juice bar and ices sales increased \$4,643,000 or 12% to \$44,336,000 for the year with sales to school food service customers accounting for most of the increase. The changes in sales throughout the Food Service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased \$4,601,000 or 11% to \$46,948,000 in fiscal 2006. Total soft pretzel sales to retail supermarkets were \$22,552,000, an increase of 3% from fiscal 2005 mainly

due to pricing. Sales of frozen juice bars and ices increased \$2,212,000 or 9% to \$25,800,000 in 2006 from \$23,588,000 in 2005 primarily due to the introduction of several new products. Coupon costs, a reduction of sales, were down \$1,778,000, or 46%, for the year, because of decreased distribution of coupons.

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 28% primarily due to closings or licensings of 5 stores. At September 30, 2006, we had 13 stores open. Sales of stores open for both years were down 1.7% for the year.

Frozen Beverages

Frozen beverage and related product sales increased \$14,586,000 or 11% to \$143,819,000 in fiscal 2006. Excluding the benefit of sales from the acquisitions of ICEE of Hawaii and SLUSH PUPPIE, frozen beverages and related product sales would have been up 5% for the year. Beverage sales alone were up 9% for the year. Excluding sales from the acquisitions, beverage sales alone would have been up 1% for the year. Service revenue increased \$1,180,000, or 5%, to \$25,418,000 for the year as we continue to emphasize growing this part of our business. Machine sales increased \$4,327,000 to \$17,584,000 for the year. Sales to two customers accounted for more than half of the machine sales increase.

Consolidated

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percent of sales decreased .43 of a percentage point to 33% of sales from 34% in 2005. The drop in gross profit percentage resulted from increased sales of lower margin beverage machines in our Frozen Beverage segment, continuing commodity and utility cost increases and slotting expense to introduce new retail supermarket products along with lower unit sales in our base frozen carbonated beverage business. Partially offsetting these factors were increased efficiencies from higher volume and pricing, which included reduced coupon expense in our Retail Supermarkets segment. Our slotting expense for the year was about \$1.9 million more in 2006 than in 2005. We were impacted by higher commodity and packaging cost increases of over \$4.5 million and higher utility costs of approximately \$2.3 million for the year. We expect to continue to be impacted by higher commodity and packaging pricing and higher utility costs over at least the short term.

Total operating expenses increased \$12,557,000 to \$127,355,000 in fiscal 2006 but as a percentage of sales decreased .37 of a percentage point and were 25% of sales in both years. Marketing expenses dropped .54 of a percentage point to 12% of sales. The decrease in marketing expense as a percent of sales was the result of controlled spending and higher sales throughout all our business. Distribution expenses were 9% of sales in both years even though our gasoline costs increased by over \$1 million. Administrative expenses were 4% of sales in both years. Operating expenses this year include an impairment charge of \$1,193,000 in the Food Service segment for the writedown of robotic packaging equipment based on a determination made during the year that we would not be able to make the equipment work as intended. Other general income of \$76,000 in 2006 compared to other general expense of \$430,000, which included expense related to Hurricane Katrina.

Operating income increased \$4,815,000 or 12% to \$45,064,000 in fiscal 2006 as a result of the aforementioned items. Operating income also benefited by lower group and liability insurance costs of about \$1.3 million. Adjusting for share-based compensation expense that would have been recognized in 2005 if Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (Statement 123(R)), which revised Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation had been followed, operating income increased 16%. Adjusting for share-based compensation

expense that would have been recognized in 2005 if Statement 123(R) had been followed and excluding the impact of the writedown of impaired robotic packaging equipment, operating income increased 19%.

Investment income increased by \$1,448,000 to \$3,137,000 primarily due to an increase in the general level of interest rates.

The effective income tax rate increased to 39% in fiscal year 2006 from 38% in 2005 due to estimated increases in state tax payments and a lower tax benefit on share-based compensation.

Net earnings increased \$3,407,000 or 13% in fiscal 2006 to \$29,450,000 or \$1.57 per fully diluted share as a result of the aforementioned items. Adjusting for share-based compensation expense that would have been recognized in 2005 if Statement 123(R) had been followed, net earnings increased \$4,534,000 or 18%. Adjusting for share-based compensation expense that would have been recognized in 2005 if Statement 123(R) had been followed and excluding the impact of the writedown of impaired robotic packaging equipment, net earnings increased \$5,274,000 or 21%.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

RESULTS OF OPERATIONS

Fiscal 2005 (52 weeks) Compared to Fiscal 2004 (52 weeks)

Net sales increased \$40,524,000 or 10% to \$457,112,000 in fiscal 2005 from \$416,588,000 in fiscal 2004. Adjusting for sales related to the acquisitions of Country Home Bakers, Inc. in 2004 and Snackworks, LLC in 2005, sales increased approximately 5%, or \$22,000,000.

We have four reportable segments, as disclosed in the notes to the accompanying consolidated financial statements: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

Food Service

Sales to food service customers increased \$29,600,000 or 12% to \$280,123,000 in fiscal 2005. Excluding Country Home Bakers and Snackworks acquisitions' related sales, sales increased \$11,230,000, or 4%. Soft pretzel sales to the food service market increased \$6,585,000, or 8%, to \$87,308,000 for the 2005 year due primarily to the acquisition of Snackworks, LLC. Excluding Snackworks sales, pretzel sales increased \$695,000, or less than 1%. Although there were increases and decreases in sales spread among many of our customers, two customers by themselves had increased sales of about \$3,000,000. Sales of bakery products increased \$16,048,000, or 14%, for the year. Excluding sales related to the acquisition of Country Home Bakers, sales of bakery products increased \$3,568,000 or 3%. The increased sales were primarily to our private label and industrial business customers. Churro sales increased 12% to \$14,777,000 with three customers accounting for more than one-half of the increased sales. Frozen juice bar and ices sales increased \$2,682,000 or 7% to \$39,693,000 for the year with sales to school food service customers accounting for virtually all of the increase. Sales of our funnel cake products increased \$2,996,000 due to sales to one customer. The changes in sales throughout the food service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased \$3,504,000 or 9% to \$42,347,000 in fiscal 2005. Total soft pretzel sales to retail supermarkets were \$21,839,000, an increase of 19% from fiscal 2004. Approximately one-half of the increase was due to the expansion of PRETZELFILS to additional markets with the balance coming primarily from increased sales of our flagship SUPERPRETZEL brand in existing markets. Sales of frozen juice bars and ices increased \$1,166,000 or 5% to \$23,588,000 in 2005 from \$22,422,000 in 2004 due to an extremely strong fourth quarter during which sales of LUIGI'S Real Italian Ice increased by approximately 50%. Coupon costs, a reduction of sales, were up \$876,000, or 29%, for the year.

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 29% primarily due to closings or licensings of 11 stores. At September 24, 2005, we had 19 stores open.

Frozen Beverages

Frozen beverage and related product sales increased \$9,634,000 or 8% to \$129,233,000 in fiscal 2005. Beverage sales alone were up 2% for the year with sales increases and decreases spread among our customer base. Service revenue increased \$6,130,000, or 34%, to \$24,238,000 for the year as we continue to emphasize growing this part of our business. Increased service revenue to one customer accounted for over 40% of the increase with no other customer accounting for more than 10% of the increase. Machine sales increased \$2,568,000 to \$13,257,000 for the year. Sales to two customers accounted for all of the machine sales increase.

Consolidated

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percent of sales, although at 34% of sales for both 2005 and 2004, increased .26 of a percentage point primarily because of pricing and efficiencies related to higher volume and a significant improvement in the gross profit of our Restaurant Group business.

Total operating expenses increased \$9,781,000 to \$114,798,000 in fiscal 2005 but as a percentage of sales were essentially the same in both 2005 and 2004. Marketing expenses were 13% of sales in both fiscals 2005 and 2004, although they dropped about 6/10 of one percent of sales. The decrease in marketing expense as a percent of sales was the result of controlled spending and higher sales throughout all our business. Distribution expenses increased about 6/10 of one percent of sales to 9% of sales from 8% of sales in 2004. Distribution expenses increased as a percent of sales because of higher fuel and outside carrier costs. Administrative expenses were 4% in both years even though we incurred approximately \$400,000 of external costs related to compliance with the Sarbanes-Oxley Act. Other general expense of \$430,000 in 2005 was an increase of \$401,000 from 2004 which increase resulted primarily from costs relating to Hurricane Katrina.

Operating income increased \$5,057,000 or 14% to \$40,249,000 in fiscal 2005 as a result of the aforementioned items.

Operating income was impacted by approximately \$700,000 of higher insurance costs compared to a year ago due to increased claims under our liability policies. Manufacturing plant utilities costs were higher by about \$1,000,000 for the year compared to last year with about two-thirds of the increase coming in the second half of the year.

Investment income increased by \$1,123,000 to \$1,689,000 due to an increase in the general level of interest rates and higher investable balances of cash and marketable securities.

Interest expense and other increased \$26,000 to \$136,000 in 2005.

The effective income tax rate increased to 38% in fiscal year 2005 from 36% in 2004 due to estimated increases in state tax payments and an increase in the estimated enacted rate applied to net deferred tax liabilities.

Net earnings increased \$3,333,000 or 15% in fiscal 2005 to \$26,043,000 or \$2.80 per fully diluted share as a result of the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

ACQUISITIONS, LIQUIDITY AND CAPITAL RESOURCES

In January 2004, we acquired the assets of Country Home Bakers, Inc. Country Home Bakers, Inc., with its manufacturing facility in Atlanta, Georgia, manufactures and distributes bakery products to the food service and supermarket industries. Its product line includes cookies, biscuits, and frozen doughs sold under the names READI-BAKE, COUNTRY HOME and private labels sold through supermarket in-store bakeries.

In March 2005, we acquired all of the assets of Snackworks LLC, d/b/a Bavarian Brothers, a manufacturer of soft pretzels headquartered in Rancho Cucamonga, California. Snackworks operates production facilities in California and Chambersburg, Pennsylvania and markets its products under the brand names SERIOUSLY TWISTED!, BAVARIAN BROTHERS and CINNAPRETZEL. Snackworks sells throughout the continental United States primarily to mass merchandisers and theatres.

On January 31, 2006, we acquired the stock of ICEE of Hawaii. ICEE of Hawaii, headquartered in Waipahu, Hawaii, distributes ICEE frozen beverages and related products throughout the Hawaiian islands. Annual sales are approximately \$2.3 million.

On May 26, 2006, The ICEE Company, our frozen carbonated beverage distribution company, acquired the SLUSH PUPPIE branded business from Dr. Pepper/Seven Up, Inc., a Cadbury Schweppes Americas Beverages Company for \$18.1 million plus approximately \$4.3 in working capital. SLUSH PUPPIE, North America's leading brand for frozen non-carbonated beverages, is sold through an existing established distributor network to over 20,000 locations in the United States and Canada as well as to certain international markets. Sales of the SLUSH PUPPIE business were approximately \$18 million in 2005.

These acquisitions were accounted for under the purchase method of accounting, and their operations are included in the accompanying consolidated financial statements from their respective acquisition dates.

Although there are many factors that could impact our operating cash flow, most notably net earnings, we believe that our future operating cash flow, along with our borrowing capacity, is sufficient to fund future growth and expansion. Based on our past levels of operating cash flow, which has averaged \$51,584,000 per year over the past three years, and the strength of our consolidated balance sheet, we believe that we have the capability to borrow in excess of \$200,000,000. This is management's current opinion, which could change over time depending on future events.

Fluctuations in the value of the Mexican peso and the resulting translation of the net assets of our Mexican frozen beverage subsidiary caused a decrease of \$46,000 in accumulated other comprehensive loss in 2006 and a decrease of \$143,000 in 2005 and an increase of \$104,000 in 2004. In 2006, sales of the Mexican subsidiary were \$6,285,000 as compared to \$5,399,000 in 2005 and \$4,308,000 in 2004.

In fiscal years 2006, 2005 and 2004, we did not purchase or retire any of our Company stock.

In December 2006, we entered into an amended and restated loan agreement with our existing banks which provides for up to a \$50,000,000 revolving credit facility repayable in December 2011. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice.

There were no outstanding balances under the prior facility at September 30, 2006 and September 24, 2005. The significant financial covenants are:

- Earnings before interest expense and income taxes divided by interest expense shall not be less than 1.5 to 1.
- Tangible net worth must initially be more than \$170 million.
- Total funded indebtedness divided by earnings before interest expense, income taxes, depreciation and amortization shall not be greater than 2.25 to 1.
- Total liabilities divided by tangible net worth shall not be more than 2.0 to 1.

We were in compliance with the restrictive covenants described above at September 30, 2006.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal year 2006 and 2005 was \$2,800,000 and \$2,700,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 30, 2006 and September 24, 2005, we had outstanding letters of credit totaling approximately \$8,620,000 and \$7,700,000, respectively.

The following table presents our contractual cash flow commitments on long-term debt, operating leases and purchase commitments for raw materials and packaging. See Notes to the consolidated financial statements for additional information on our long-term debt and operating leases.

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt, including current maturities	\$ —	\$ —	\$ —	\$ —	\$ —
Purchase commitments	25,113	25,113	—	—	—
Operating leases	37,382	9,924	14,621	6,390	6,447
Total	\$ 62,495	\$ 35,037	\$ 14,621	\$ 6,390	\$ 6,447

The purchase commitments do not exceed our projected requirements over the related terms and are in the normal course of business.

Fiscal 2006 Compared to Fiscal 2005

Cash and cash equivalents and marketable securities available for sale increased \$6,601,000, or 9%, to \$76,621,000 from a year ago primarily because net cash provided by operating activities of \$54,965,000 exceeded cash used for purchases of property, plant and equipment and for purchase of companies by \$8,962,000.

Trade receivables increased \$6,772,000 or 15% to \$53,033,000 in 2006 due primarily to an increased level of business resulting from acquisitions and internal growth. Inventories increased \$4,106,000 or 12% to \$37,790,000 in 2006. The increases were due primarily to increased levels of business and higher unit costs of inventories.

Net property, plant and equipment decreased \$3,598,000 to \$85,447,000 because depreciation of fixed assets exceeded purchases of fixed assets and assets acquired in acquisitions.

Other intangible assets, less accumulated amortization increased \$15,626,000 to \$22,669,000 primarily because of the purchase of intangible assets of \$15,188,000 in the SLUSH PUPPIE acquisition.

Goodwill increased \$4,326,000 to \$57,948,000 primarily as a result of the purchase of SLUSH PUPPIE.

Accounts payable and accrued liabilities increased \$4,672,000, or 10% from 2005 to 2006 primarily because of increased levels of business, higher accruals for our insurance reserves and higher income taxes payable.

Deferred income tax liabilities increased by \$224,000 to \$18,211,000 which related primarily to amortization of goodwill and other intangible assets.

Common stock increased \$4,224,000 to \$40,315,000 in 2006 because of the exercise of incentive and nonqualified stock options, stock issued under our stock purchase plan for employees and share-based compensation expense.

Net cash provided by operating activities increased \$2,321,000 to \$54,965,000 in 2006 primarily because of an increase to net earnings of \$3,407,000 offset by an increase in working capital of \$1,363,000.

Net cash used in investing activities decreased \$4,804,000 to \$50,629,000 in 2006 from \$55,433,000 in 2005 primarily because purchases of marketable securities, net of proceeds from marketable securities, were \$12,950,000 lower in 2006 than in 2005 and purchases of property, plant and equipment were \$1,893,000 lower in 2006 than in 2005. This was partially offset by \$10,176,000 of higher payments in 2006 for purchases of companies.

Net cash used in financing activities of \$2,464,000 in 2006 compared to net cash used by financing activities of \$1,159,000 in 2005. The increase was primarily caused by the increased payments of cash dividends of \$1,873,000 in 2006, in which we paid four quarterly cash dividends compared to three in 2005, the first year in which we paid cash dividends.

In 2006, the major variables in determining our net increase in cash and cash equivalents and marketable securities available for sale were our net earnings, depreciation and amortization of fixed assets, purchases of property, plant and equipment and payments for the purchase of companies. Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the repurchase of common stock, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition in the current year. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although the balance of our long-term debt is \$0 at September 30, 2006, we may borrow in the future depending on our needs.

Fiscal 2005 Compared to Fiscal 2004

Cash and cash equivalents and marketable securities available for sale increased \$13,920,000, or 25%, to \$70,020,000 from a year ago primarily because net cash provided by operating activities of \$52,644,000 exceeded cash used for purchases of property, plant and equipment and for purchase of companies by \$14,924,000.

Trade receivables decreased \$1,492,000 or 3% to \$46,261,000 in 2005 due to more efficient collections. Inventories increased \$4,097,000 or 14% to \$33,684,000 in 2005. The increases were due primarily to increased levels of business and higher unit costs of inventories. Parts inventory increased in our frozen beverages business in response to higher levels of managed service business.

Net property, plant and equipment decreased \$429,000 to \$89,045,000 because depreciation of fixed assets exceeded purchases of fixed assets and assets acquired in acquisitions.

Other intangible assets, less accumulated amortization increased \$5,239,000 to \$7,043,000 because of the purchase of intangible assets of \$6,080,000 in the Snackworks acquisition.

Goodwill increased \$7,145,000 to \$53,622,000 as a result of the purchase of Snackworks, LLC.

Accounts payable and accrued liabilities increased \$5,256,000, or 11% from 2004 to 2005 primarily because of increased levels of business, higher accruals for our insurance reserves and higher income taxes payable.

Deferred income tax liabilities increased by \$1,166,000 to \$17,987,000 which related primarily to depreciation of property, plant and equipment.

Common stock increased \$3,022,000 to \$36,091,000 in 2005 because of the exercise of incentive and nonqualified stock options and stock issued under our stock purchase plan for employees.

Net cash provided by operating activities increased \$5,500,000 to \$52,644,000 in 2005 primarily because of an increase to net earnings of \$3,333,000 and a reduction in working capital of \$2,363,000 in 2005 compared to an increase in working capital of \$1,995,000 in 2004 which was partially offset by a reduction in deferred income taxes of \$174,000 in 2005 compared to an increase in deferred taxes of \$2,394,000 in 2004.

Net cash used in investing activities decreased \$13,511,000 to \$55,433,000 in 2005 from \$68,944,000 in 2004 primarily because purchases of marketable securities, net of proceeds from marketable securities, were \$18,775,000 higher in 2004 than in 2005 which was partially offset by \$3,420,000 of higher payments in 2005 for purchases of companies.

Net cash used in financing activities of \$1,159,000 in 2005 compared to net cash provided by financing activities of \$3,810,000 in 2004. The change was primarily caused by the payment of cash dividends of \$3,400,000 in 2005, the first year in which we paid cash dividends.

In 2005, the major variables in determining our net increase in cash and cash equivalents and marketable securities available for sale were our net earnings, depreciation and amortization of fixed assets, purchases of property, plant and equipment and payments for the purchase of companies. Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the repurchase of common stock, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition in the current year. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk

The following is the Company's quantitative and qualitative analysis of its financial market risk:

Interest Rate Sensitivity

The Company has in the past entered into interest rate swaps to limit its exposure to interest rate risk and may do so in the future if the Board of Directors feels that such non-trading purpose is in the best interest of the Company and its shareholders. As of September 30, 2006, the Company had no interest rate swap contracts.

Interest Rate Risk

At September 30, 2006, the Company had no long-term debt obligations.

Purchasing Risk

The Company's most significant raw material requirements include flour, shortening, corn syrup, chocolate, and macadamia nuts. The Company attempts to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. Futures contracts are not used in combination with forward purchasing of these raw materials. The Company's procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

Foreign Exchange Rate Risk

The Company has not entered into any forward exchange contracts to hedge its foreign currency rate risk as of September 30, 2006 because it does not believe its foreign exchange exposure is significant.

Item 8. Financial Statements And Supplementary Data

The financial statements of the Company are filed under this Item 8, beginning on page F-1 of this report.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act), as amended for financial reporting, as of September 30, 2006. Based on that evaluation, our chief executive officer and chief financial officer concluded that these controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported as specified in Securities and Exchange Commission rules and forms. There were no changes in these controls or procedures identified in connection with the evaluation of such controls or procedures that occurred during our last fiscal quarter, or in other factors that have materially affected, or are reasonably likely to materially affect these controls or procedures. There were no changes in the Company's internal controls over financial reporting that occurred during our last fiscal quarter.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the chief executive officer and chief financial officer and effected by the board of directors and management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and board of directors;
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2006. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, our management believes that, as of September 30, 2006, our internal control over financial reporting is effective.

Additionally, our independent accounting firm, Grant Thornton LLP, audited management's assessment and independently assessed the effectiveness of the Company's internal control over financial reporting. Grant Thornton LLP has issued an attestation report concurring with management's assessment of internal controls, which is included in Part II, Item 8 of this Form 10-K.

Item 9B. Other Information

There was no information required on Form 8-K during the quarter that was not reported.

PART III**Item 10. Directors And Executive Officers Of The Registrant**

Portions of the information concerning directors and executive officers, appearing under the captions “Information Concerning Nominees For Election To Board” and “Information Concerning Continuing Directors And Executive Officers” and information concerning Section 16(a) Compliance appearing under the caption “Compliance with Section 16(a) of the Securities Exchange Act of 1934” in the Company’s Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 7, 2007 (2007 Proxy Statement) is incorporated herein by reference.

Portions of the information concerning the Audit Committee, the requirement for an Audit Committee Financial Expert and the Nominating Committee in the Company’s 2007 Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 7, 2007, is incorporated herein by reference.

The Company has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, which applies to the Company’s principal executive officer and senior financial officer. The Company has also adopted a Code of Business Conduct and Ethics which applies to all employees. The Company will furnish any person, without charge, a copy of the Code of Ethics upon written request to J & J Snack Foods Corp., 6000 Central Highway, Pennsauken, New Jersey 08109, Attn: Dennis Moore. A copy of the Code of Ethics can also be found on our website at www.jjsnack.com. Any waiver of any provision of the Code of Ethics granted to the principal executive officer or senior financial officer may only be granted by a majority of the Company’s disinterested directors. If a waiver is granted, information concerning the waiver will be posted on our website www.jjsnack.com for a period of 12 months.

Item 11. Executive Compensation

Information concerning executive compensation appearing in the Company’s Proxy Statement under the caption “Management Remuneration” is incorporated herein by reference.

The following is a list of the executive officers of the Company and their principal past occupations or employment. All such persons serve at the pleasure of the Board of Directors and have been elected to serve until the Annual Meeting of Shareholders on February 7, 2007 or until their successors are duly elected.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gerald B. Shreiber	65	Chairman of the Board, President, Chief Executive Officer and Director
Dennis G. Moore	51	Senior Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Robert M. Radano	57	Senior Vice President, Sales and Chief Operating Officer
Dan Fachner	46	President of The ICEE Company Subsidiary
Michael Karaban	60	Senior Vice President, Marketing

Gerald B. Shreiber is the founder of the Company and has served as its Chairman of the Board, President, and Chief Executive Officer since its inception in 1971. His term as a director expires in 2010.

Dennis G. Moore joined the Company in 1984. He served in various controllership functions prior to becoming the Chief Financial Officer in June 1992. His term as a director expires in 2007.

Robert M. Radano joined the Company in 1972 and in May 1996 was named Chief Operating Officer of the Company. Prior to becoming Chief Operating Officer, he was Senior Vice President, Sales responsible for national food service sales of J & J.

Dan Fachner has been an employee of ICEE-USA Corp., which was acquired by the Company in May 1987, since 1979. He was named Senior Vice President of The ICEE Company in April 1994 and became President in May 1997.

Michael Karaban has been an employee of the Company in charge of its marketing department since 1990 and in February 2002 was elected Senior Vice President, Marketing.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

Information concerning the security ownership of certain beneficial owners and management appearing in the Company's 2007 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

The following table details information regarding the Company's existing equity compensation plans as of September 30, 2006.

<u>Plan Category</u>	<u>(a)</u> <u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b)</u> <u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(c)</u> <u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	1,233,000	\$ 16.17	963,000
Equity compensation plans not approved by security holders	—	—	—
Total	<u>1,233,000</u>	<u>\$ 16.17</u>	<u>963,000</u>

Item 13. Certain Relationships And Related Transactions

None to report.

Item 14. Principal Accounting Fees And Services

Information concerning the Principal Accounting Fees and Services in the Company's 2007 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements and Financial Statements Schedule on page F-1.

(2) Financial Statement Schedules — Page S-1

Schedule II — Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or because the information required is contained in the financial statements or notes thereto.

(b) Exhibits

- 3.1 Amended and Restated Certificate of Incorporation filed February 28, 1990. (Incorporated by reference from the Company's Form 10-Q dated May 4, 1990.)
- 3.2** Revised Bylaws adopted May 17, 2006.
- 4.3** Amended and Restated Loan Agreement dated December 1, 2006 by and among J & J Snack Foods Corp. and Certain of its Subsidiaries and Citizens Bank of Pennsylvania, as Agent.
- 10.1 Proprietary Exclusive Manufacturing Agreement dated July 17, 1984 between J & J Snack Foods Corp. and Wisco Industries, Inc. (Incorporated by reference from the Company's Form S-1 dated February 4, 1986, file no. 33-2296).
- 10.2* J & J Snack Foods Corp. Stock Option Plan. (Incorporated by reference from the Company's Definitive Proxy Statement dated December 19, 2002.)
- 10.3* Adoption Agreement for MFS Retirement Services, Inc. Non-Standardized 401(K) Profit Sharing Plan and Trust, effective September 1, 2004.
**
- 10.4* J & J Snack Foods Corp. Directors' and Consultants' Deferred Compensation Plan adopted November 21, 2005.
**
- 10.6 Lease dated September 24, 1991 between J & J Snack Foods Corp. of New Jersey and A & H Bloom Construction Co. for the 101,200 square foot building next to the Company's manufacturing facility in Pennsauken, New Jersey. (Incorporated by reference from the Company's Form 10-K dated December 17, 1991.)
- 10.7 Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 21, 1995.)
- 10.8* J & J Snack Foods Corp. Employee Stock Purchase Plan (Incorporated by reference from the Company's Form S-8 dated May 16, 1996).
- 10.11 Amendment No. 1 to Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 18, 2002).
- 14.1 Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference from the Company's 10-Q dated July 20, 2004).
- 21.1** Subsidiaries of J & J Snack Foods Corp.
- 23.1** Consent of Independent Registered Public Accounting Firm.

31.1** Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2** Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1** Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

32.2** Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

* Compensatory Plan
** Filed Herewith

SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused report to be signed on its behalf by the undersigned, thereunto duly authorized.

J & J SNACK FOODS CORP.

December 6, 2006

By /s/ Gerald B. Shreiber
Gerald B. Shreiber,
Chairman of the Board,
President, Chief Executive
Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

December 6, 2006

/s/ Gerald B. Shreiber
Gerald B. Shreiber,
Chairman of the Board,
President, Chief Executive
Officer and Director

December 6, 2006

/s/ Dennis G. Moore
Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director

December 6, 2006

/s/ Sidney R. Brown
Sidney R. Brown, Director

December 6, 2006

/s/ Peter G. Stanley
Peter G. Stanley, Director

December 6, 2006

/s/ Leonard M. Lodish
Leonard M. Lodish, Director

J & J SNACK FOODS CORP.
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AND FINANCIAL STATEMENT SCHEDULE

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Consolidated Statement of Changes in Stockholders' Equity for the fiscal years ended September 30, 2006, September 24, 2005 and September 25, 2004	F-6
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and
Board of Directors
J & J Snack Foods Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of J & J Snack Foods Corp. and Subsidiaries as of September 30, 2006 and September 24, 2005, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended September 30, 2006 (53 weeks, 52 weeks, and 52 weeks, respectively). We have also audited management's assessment, included in the accompanying Form 10-K, that J & J Snack Foods Corp. and Subsidiaries maintained effective internal control over financial reporting as of September 30, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). J & J Snack Foods Corp. and Subsidiaries' management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements, an opinion on management's assessment, and an opinion on the effectiveness of the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our audit of internal control included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of J & J Snack Foods Corp. and Subsidiaries as of September 30, 2006 and September 24, 2005, and the consolidated results of its operations and its consolidated cash flows for each of the fiscal years in the three-year period ended September 30, 2006 (53 weeks, 52 weeks and 52 weeks) in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment that J & J Snack Foods Corp. and Subsidiaries maintained effective internal control over financial reporting as of September 30, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of

Sponsoring Organizations of the Treadway Commission (COSO). Furthermore, in our opinion, J & J Snack Foods Corp. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As discussed in note A to the consolidated financial statements, the Company changed its method of accounting for share-based payments as of September 25, 2005.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
November 10, 2006
(except Note G to
which the date is
December 1, 2006)

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2006</u>	<u>September 24, 2005</u>
(in thousands, except share amounts)		
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,621	\$ 15,795
Marketable securities available for sale	59,000	54,225
Receivables		
Trade, less allowances of \$963 and \$1,054, respectively	53,033	46,261
Other	630	660
Inventories	37,790	33,684
Prepaid expenses and other	1,457	1,215
Deferred income taxes	2,713	2,393
	<hr/>	<hr/>
Total current assets	172,244	154,233
Property, Plant and Equipment, at cost	333,838	326,143
Less accumulated depreciation and amortization	248,391	237,098
	<hr/>	<hr/>
	85,447	89,045
Other Assets		
Goodwill	57,948	53,622
Other intangible assets, net	22,669	7,043
Other	2,500	1,981
	<hr/>	<hr/>
	83,117	62,646
	<hr/>	<hr/>
	\$ 340,808	\$ 305,924
	<hr/>	<hr/>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 40,835	\$ 37,029
Accrued liabilities	8,502	7,636
Accrued compensation expense	8,367	7,095
Dividends payable	1,385	1,142
	<hr/>	<hr/>
Total current liabilities	59,089	52,902
Deferred income taxes	18,211	17,987
Other long-term liabilities	635	273
Stockholders' Equity		
Preferred stock, \$1 par value; authorized, 10,000,000 shares; none issued	—	—
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 18,468,000 and 18,272,000 respectively	40,315	36,091
Accumulated other comprehensive loss	(1,964)	(1,918)
Retained earnings	224,522	200,589
	<hr/>	<hr/>
	262,873	234,762
	<hr/>	<hr/>
	\$ 340,808	\$ 305,924
	<hr/>	<hr/>

All share amounts reflect the 2-for-1 stock split effective January 5, 2006.

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share information)

	Fiscal year ended		
	September 30, 2006 (53 weeks)	September 24, 2005 (52 weeks)	September 25, 2004 (52 weeks)
Net Sales	\$ 514,831	\$ 457,112	\$ 416,588
Cost of goods sold ⁽¹⁾	342,412	302,065	276,379
Gross profit	172,419	155,047	140,209
Operating expenses			
Marketing ⁽²⁾	61,601	57,197	54,585
Distribution ⁽³⁾	45,331	39,589	33,574
Administrative ⁽⁴⁾	19,306	17,582	16,829
Impairment charge	1,193	—	—
Other general expense (income)	(76)	430	29
	127,355	114,798	105,017
Operating income	45,064	40,249	35,192
Other income (expenses)			
Investment income	3,137	1,689	566
Interest expense and other	(129)	(136)	(113)
	3,008	1,553	453
Earnings before income taxes	48,072	41,802	35,645
Income taxes	18,622	15,759	12,935
NET EARNINGS	\$ 29,450	\$ 26,043	\$ 22,710
Earnings per diluted share	\$ 1.57	\$ 1.40	\$ 1.24
Weighted average number of diluted shares	18,807	18,600	18,286
Earnings per basic share	\$ 1.60	\$ 1.43	\$ 1.27
Weighted average number of basic shares	18,421	18,194	17,818

(1) Includes share-based compensation expense of \$297 for the year ended September 30, 2006.

(2) Includes share-based compensation expense of \$576 for the year ended September 30, 2006.

(3) Includes share-based compensation expense of \$26 for the year ended September 30, 2006.

(4) Includes share-based compensation expense of \$405 for the year ended September 30, 2006.

All share amounts reflect the 2-for-1 stock split effective January 5, 2006.

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total	Comprehensive Income
	Shares	Amount				
Balance at September 28, 2003	17,514	\$ 28,143	\$ (1,957)	\$ 156,378	\$ 182,564	
Issuance of common stock upon exercise of stock options	472	4,553	—	—	4,553	
Issuance of common stock for employee stock purchase plan	26	373	—	—	373	
Foreign currency translation adjustment	—	—	(104)	—	(104)	\$ (104)
Net earnings	—	—	—	22,710	22,710	22,710
Comprehensive income	—	—	—	—	—	\$ 22,606
Balance at September 25, 2004	18,012	\$ 33,069	\$ (2,061)	\$ 179,088	\$ 210,096	
Issuance of common stock upon exercise of stock options	236	2,577	—	—	2,577	
Issuance of common stock for employee stock purchase plan	24	445	—	—	445	
Foreign currency translation adjustment	—	—	143	—	143	\$ 143
Dividends declared	—	—	—	(4,542)	(4,542)	
Net earnings	—	—	—	26,043	26,043	26,043
Comprehensive income	—	—	—	—	—	\$ 26,186
Balance at September 24, 2005	18,272	\$ 36,091	\$ (1,918)	\$ 200,589	\$ 234,762	
Issuance of common stock upon exercise of stock options	164	2,253	—	—	2,253	
Issuance of common stock for employee stock purchase plan	23	556	—	—	556	
Foreign currency translation adjustment	—	—	(46)	—	(46)	\$ (46)
Issuance of common stock under deferred stock plan	9	111	—	—	111	
Dividends declared	—	—	—	(5,517)	(5,517)	
Share-based compensation	—	1,304	—	—	1,304	
Net earnings	—	—	—	29,450	29,450	29,450
Comprehensive income	—	—	—	—	—	\$ 29,404
Balance at September 30, 2006	18,468	\$ 40,315	\$ (1,964)	\$ 224,522	\$ 262,873	

All share amounts reflect the 2-for-1 stock split effective January 5, 2006.

The accompanying notes are an integral part of this statement.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal year ended		
	September 30, 2006 (53 weeks)	September 24, 2005 (52 weeks)	September 25, 2004 (52 weeks)
Operating activities:			
Net earnings	\$ 29,450	\$ 26,043	\$ 22,710
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	22,848	23,215	23,170
Amortization of intangibles and deferred costs	1,760	1,047	898
(Gains) losses from disposals of property & equipment	(131)	150	(33)
Impairment of fixed assets	1,193	—	—
Share-based compensation	1,304	—	—
Deferred income taxes	(96)	(174)	2,394
Changes in assets and liabilities, net of effects from purchase of companies:			
(Increase) decrease in accounts receivable	(4,223)	1,048	(6,887)
Increase in inventories	(2,160)	(3,465)	(2,423)
(Increase) decrease in prepaid expenses and other	(167)	139	83
Increase in accounts payable and accrued liabilities	5,187	4,641	7,232
Net cash provided by operating activities	54,965	52,644	47,144
Investing activities:			
Purchases of property, plant and equipment	(19,739)	(21,632)	(21,644)
Payments for purchases of companies, net of cash acquired	(26,264)	(16,088)	(12,668)
Proceeds from investments held to maturity	—	—	275
Purchase of marketable securities	(40,825)	(31,725)	(45,500)
Proceeds from sales of marketable securities	36,050	14,000	9,000
Proceeds from disposal of property and equipment	1,046	819	1,628
Other	(897)	(807)	(35)
Net cash used in investing activities	(50,629)	(55,433)	(68,944)
Financing activities:			
Proceeds from issuance of common stock	2,809	2,241	3,810
Payments of cash dividend	(5,273)	(3,400)	—
Net cash (used in) provided by financing activities	(2,464)	(1,159)	3,810
Effect of exchange rate on cash and cash equivalents	(46)	143	(104)
Net increase (decrease) in cash and cash equivalents	1,826	(3,805)	(18,094)
Cash and cash equivalents at beginning of year	15,795	19,600	37,694
Cash and cash equivalents at end of year	\$ 17,621	\$ 15,795	\$ 19,600

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J & J Snack Foods Corp. and Subsidiaries (the Company) manufactures, markets and distributes a variety of nutritional snack foods and beverages to the food service and retail supermarket industries. A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

1. Principles of Consolidation

The consolidated financial statements include the accounts of J & J Snack Foods Corp. and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

2. Revenue Recognition

We recognize revenue from Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage products at the time the products are shipped to third parties. When we perform services under service contracts for frozen beverage dispenser machines, revenue is recognized upon the completion of the services on specified machines. We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors.

We follow EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs" (Issue 00-10). Issue 00-10 requires that all amounts billed to customers related to shipping and handling should be classified as revenues. Our product costs include amounts for shipping and handling, therefore, we charge our customers shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses. The cost of shipping products to the customer classified as Distribution expenses was \$45,331,000, \$39,589,000 and \$33,574,000 for the fiscal years ended 2006, 2005 and 2004, respectively.

Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101) and Staff Accounting Bulletin No. 104, Revenue Recognition, corrected copy (SAB 104) address certain criteria for revenue recognition. SAB 101 and SAB 104 outline the criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. Our revenue recognition policies comply with the guidance contained in SABs 101 and 104.

We also sell service contracts covering frozen beverage machines sold. The terms of coverage range between 12 and 60 months. We record deferred income on service contracts which is amortized by the straight-line method over the term of the contracts.

During the years ended September 30, 2006, September 24, 2005 and September 25, 2004, we sold \$6,000,000, \$5,506,000 and \$3,225,000, respectively, of service contracts related to frozen beverage machines. At September 30, 2006 and September 24, 2005, deferred income on service contracts was \$1,748,000 and \$1,631,000, respectively, of which \$183,000 and \$273,000 is included in other long-term liabilities as of September 30, 2006 and September 24, 2005, respectively and the balance is reflected as short-term and included in accrued liabilities on the consolidated balance sheet. Service contract income of \$5,883,000, \$5,728,000 and \$3,156,000 was recognized for the fiscal years ended 2006, 2005 and 2004, respectively.

3. Foreign Currency

Assets and liabilities in foreign currencies are translated into U.S. dollars at the rate of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. The cumulative translation adjustment is recorded as a separate component of stockholders' equity and changes to such are included in comprehensive income.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

4. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

6. Concentrations of Credit Risk and Accounts Receivable

We maintain cash balances at financial institutions located in various states. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. We periodically maintain cash balances in excess of these insurance limits.

Other financial instruments that could potentially subject us to concentrations of credit risk are trade accounts receivable; however, such risks are limited due to the large number of customers comprising our customer base and their dispersion across geographic regions. We usually have 2 to 3 customers with accounts receivable balances of between \$1,500,000 to \$4,000,000.

The majority of our accounts receivable are due from trade customers. Credit is extended based on evaluation of our customers' financial condition and collateral is not required. Accounts receivable payment terms vary and are stated in the financial statements at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, customers' current ability to pay their obligations to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

7. Inventories

Inventories are valued at the lower of cost (determined by the first-in, first-out method) or market.

In December 2004, the FASB issued Statement 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4".

Statement 151 retains the general principle of ARB 43, Chapter 4, "Inventory Pricing (AC Section I78)", that inventories are presumed to be stated at cost; however, it amends ARB 43 to clarify that

- abnormal amounts of idle facilities, freight, handling costs, and spoilage should be recognized as charges of the current period
- allocation of fixed production overheads to inventories should be based on the normal capacity of the production facilities.

Statement 151 defines normal capacity as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The Board concluded that normal capacity refers to a range of production levels that will vary based on business- and industry-specific factors. Accordingly, an entity will have to use judgment to determine when production is outside the range of expected variation in production (either abnormally low or abnormally high). In periods of abnormally low production (for example, periods in which there is

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

significantly lower demand, labor and material shortages exist, or there is unplanned equipment downtime) the amount of fixed overhead allocated to each unit of production should not be increased. However, in periods of abnormally high production the amount of fixed overhead allocated to each unit of production is decreased to assure inventories are not measured above cost.

The guidance in Statement 151 is effective for inventory costs during fiscal years beginning after June 15, 2005 and should be applied prospectively. Since we essentially follow the guidelines of Statement 151, the adoption did not have a material impact on our financial statements.

8. Investment Securities

We account for our investment securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard requires investments in securities to be classified in one of three categories: held-to-maturity, trading, or available-for-sale. Our investment portfolio consists solely of investments classified as available for sale and are accounted for as such in accordance with SFAS No. 115.

9. Depreciation and Amortization

Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights arising from acquisitions are amortized by the straight-line method over periods ranging from 4 to 20 years.

We follow SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," (SFAS No. 144). SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," but it retains many of the fundamental provisions of that Statement. We recorded an impairment charge of \$1,193,000 in 2006 in the food service segment for the writedown of robotic packaging equipment based on a determination made during the year that we would not be able to make the equipment work as intended.

10. Fair Value of Financial Instruments

The carrying value of our short-term financial instruments, such as accounts receivables and accounts payable, approximate their fair values, based on the short-term maturities of these instruments.

11. Income Taxes

We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (SFAS 109).

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

FIN 48 also provides guidance on financial reporting and classification of differences between tax positions taken in a tax return and amounts recognized in the financial statements.

FIN 48 is effective for fiscal years beginning after December 15, 2006; earlier application is encouraged. We are currently evaluating the provisions of FIN 48 to determine its impact on our financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

12. Earnings Per Common Share

We follow SFAS No. 128, "Earnings Per Share" (EPS). Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock.

Our calculation of EPS is as follows (all share amounts reflect the 2-for-1 stock split effective January 5, 2006):

	Fiscal Year Ended September 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$ 29,450	18,421	\$ 1.60
Effect of Dilutive Securities			
Options	—	386	(.03)
	\$ 29,450	18,807	\$ 1.57
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	\$ 29,450	18,807	\$ 1.57

500 anti-dilutive shares have been excluded in the computation of 2006 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

	Fiscal Year Ended September 24, 2005		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$ 26,043	18,194	\$ 1.43
Effect of Dilutive Securities			
Options	—	406	(.03)
	\$ 26,043	18,600	\$ 1.40
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	\$ 26,043	18,600	\$ 1.40

	Fiscal Year Ended September 25, 2004		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$ 22,710	17,818	\$ 1.27
Effect of Dilutive Securities			
Options	—	468	(.03)
	\$ 22,710	18,286	\$ 1.24
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	\$ 22,710	18,286	\$ 1.24

3,400 anti-dilutive shares have been excluded in the computation of 2004 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

13. Accounting for Stock-Based Compensation

Effective with this fiscal year, the Company follows FASB Statement No. 123(R), "Share-Based Payment". Statement 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost is measured based on the fair value of the equity or liability instruments issued.

Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

In addition to the accounting standard that sets forth the financial reporting objectives and related accounting principles, Statement 123(R) includes an appendix of implementation guidance that provides expanded guidance on measuring the fair value of share-based payment awards.

Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used.

Since the Company adopted Statement 123(R) using the modified-prospective transition method, prior periods have not been restated. Under this method, we are required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding as of the beginning of the period of adoption. We measured share-based compensation cost using the Black-Scholes option pricing model.

At September 30, 2006, the Company has two stock-based employee compensation plans. Share-based compensation of \$988,000, net of a tax benefit of \$316,000, or \$.05 per diluted share, was recognized for the year ended September 30, 2006. At September 30, 2006, the Company has unrecognized compensation expense of approximately \$1.8 million to be recognized over the next three fiscal years. Reported net income, adjusting for share-based compensation that would have been recognized in 2005 and 2004 if Statement 123(R) had been followed is (all share amounts reflect the 2-for-1 stock split effective January 5, 2006):

	Fiscal year ended		
	September 30, 2006 (53 weeks)	September 24, 2005 (52 weeks)	September 25, 2004 (52 weeks)
Net income, as reported	\$ 29,450	\$ 26,043	\$ 22,710
Less: share-based compensation costs determined under fair-value based method for all awards, net of tax	—	1,127	1,135
Adjusted net earnings	\$ 29,450	\$ 24,916	\$ 21,575
Earnings per share of common stock — basic:			
As reported	\$ 1.60	\$ 1.43	\$ 1.27
Share-based compensation	—	(.06)	(.06)
Adjusted net earnings	\$ 1.60	\$ 1.37	\$ 1.21
Earnings per share of common stock — diluted:			
As reported	\$ 1.57	\$ 1.40	\$ 1.24
Share-based compensation	—	(.06)	(.06)
Adjusted net earnings	\$ 1.57	\$ 1.34	\$ 1.18

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

The fair value of these options is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants in fiscal 2006, 2005 and 2004; expected volatility of 34.2% for fiscal year 2006, 27.9% for year 2005 and 30.7% for year 2004; weighted average risk-free interest rates of 4.41%, 3.82% and 3.27%; dividend rate of 1% for years 2006 and 2005 and expected lives ranging between 5 and 10 years for all years. An expected forfeiture rate of 18% was used for year 2006.

Expected volatility is based on the historical volatility of the price of our common shares over the past 53 months for 5 year options and 10 years for 10 year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$1,589,000, \$1,617,000, and \$1,772,000 for the fiscal years 2006, 2005 and 2004, respectively.

15. Commodity Price Risk Management

Our most significant raw material requirements include flour, shortening, corn syrup, chocolate, and macadamia nuts. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. As of September 30, 2006, we have approximately \$25,000,000 of such commitments. Futures contracts are not used in combination with forward purchasing of these raw materials. Our procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

16. Research and Development Costs

Research and development costs are expensed as incurred. Total research and development expense was \$558,000, \$574,000 and \$365,000 for the fiscal years 2006, 2005 and 2004, respectively.

17. Recent Accounting Pronouncements

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued to provide consistency between how registrants quantify financial statement misstatements.

Historically, there have been two widely used methods for quantifying the effects of financial statement misstatements. These methods are referred to as the "roll-over" and "iron curtain" method. The roll-over method quantifies the amount by which the current year income statement is misstated. Exclusive reliance on an income statement approach can result in the accumulation of errors on the balance sheet that may not have been material to any individual income statement, but which may misstate one or more balance sheet accounts. The iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Exclusive reliance on a balance sheet approach can result in disregarding the effects of errors in the current year income statement that results from the correction of an error existing in previously issued financial statements. We currently use the roll-over method for quantifying identified financial statement misstatements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the company's financial statements and the related financial statement disclosures. This approach is commonly referred to as the "dual approach" because it requires quantification of errors under both the roll-over and iron curtain methods.

SAB 108 allows registrants to initially apply the dual approach either by (1) retroactively adjusting prior financial statements as if the dual approach had always been used or by (2) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of October 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. Use of this "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose.

We do not expect to record any such cumulative adjustment.

18. Reclassifications

Certain prior year financial statement amounts have been reclassified to be consistent with the presentation for the current year.

NOTE B — ACQUISITIONS

In January 2004, we acquired the assets of Country Home Bakers, Inc. Country Home Bakers, Inc., with its manufacturing facility in Atlanta, Georgia, manufactures and distributes bakery products to the food service and supermarket industries. Its product line includes cookies, biscuits, and frozen doughs sold under the names READI-BAKE, COUNTRY HOME and private labels sold through supermarket in-store bakeries.

On March 17, 2005, we acquired all of the assets of Snackworks LLC, d/b/a Bavarian Brothers, a manufacturer of soft pretzels headquartered in Rancho Cucamonga, California for \$14.8 million plus approximately \$600,000 for inventory. Snackworks operates production facilities in California and Chambersburg, Pennsylvania and markets its products under the brand names SERIOUSLY TWISTED!, BAVARIAN BROTHERS and CINNAPRETZEL. Snackworks sells throughout the continental United States primarily to mass merchandisers and theatres. Annual sales are approximately \$11 million. The allocation of the purchase price is as follows:

	(in thousands)
Property, plant and equipment	\$ 1,600
Inventory	604
Trade names	1,690
Customer relationships	4,290
Covenant not to compete	100
Goodwill	7,145
	<hr/>
	\$ 15,429
	<hr/>

On January 31, 2006, we acquired the stock of ICEE of Hawaii. ICEE of Hawaii, headquartered in Waipahu, Hawaii, distributes ICEE frozen beverages and related products throughout the Hawaiian islands. Annual sales are approximately \$2.3 million.

On May 26, 2006, The ICEE Company, our frozen carbonated beverage distribution company, acquired the SLUSH PUPPIE branded business from Dr. Pepper/Seven Up, Inc., a Cadbury Schweppes Americas Beverages Company for \$18.1 million plus approximately \$4.3 in working capital. SLUSH PUPPIE, North America's leading brand for frozen non-carbonated beverages, is sold through an existing established distributor network to over 20,000 locations in the United States and Canada as well as to certain

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE B — ACQUISITIONS — (Continued)

international markets. Sales of the SLUSH PUPPIE business were approximately \$18 million in 2005. The allocation of the purchase price is as follows:

	(in thousands)
Working Capital	\$ 4,264
Property, plant and equipment	25
Prepaid license	1,400
Trade names	7,460
Customer relationships	6,180
Covenant not to compete	148
Goodwill	2,987
	\$ 22,464

These acquisitions were accounted for under the purchase method of accounting, and their operations are included in the consolidated financial statements from their acquisition dates.

NOTE C — INVESTMENT SECURITIES

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 30, 2006 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Available for Sale Securities				
Equity Securities	\$ 54,000	\$ —	\$ —	\$ 54,000
Municipal Government Securities	5,000	—	—	5,000
	\$ 59,000	\$ —	\$ —	\$ 59,000

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 24, 2005 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Available for Sale Securities				
Equity Securities	\$ 49,225	\$ —	\$ —	\$ 49,225
Municipal Government Securities	5,000	—	—	5,000
	\$ 54,225	\$ —	\$ —	\$ 54,225

Because of the short-term nature of our investment securities held at September 30, 2006 and September 24, 2005, they do not fluctuate from par.

Proceeds from the sale of marketable securities were \$36,050,000 and \$14,000,000 in the periods ended September 30, 2006, and September 24, 2005, respectively, with no gain or loss recorded. We use the specific identification method to determine the cost of securities sold.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE D — INVENTORIES

Inventories consist of the following:

	September 30, 2006	September 24, 2005
(in thousands)		
Finished goods	\$ 18,398	\$ 16,016
Raw materials	5,415	4,935
Packaging materials	3,803	3,485
Equipment parts and other	10,174	9,248
	\$ 37,790	\$ 33,684

Inventory is presented net of an allowance for obsolescence of \$2,330,000 and \$1,922,000 as of fiscal year ends 2006 and 2005, respectively.

NOTE E — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	September 30, 2006	September 24, 2005	Estimated Useful Lives
(in thousands)			
Land	\$ 556	\$ 556	—
Buildings			15-39.5 years
	4,497	4,497	
Plant machinery and equipment	108,682	105,815	5-10 years
Marketing equipment	189,925	188,601	5 years
Transportation equipment	2,013	1,271	5 years
Office equipment	9,219	8,966	3-5 years
Improvements	16,264	15,083	5-20 years
Construction in progress	2,682	1,354	—
	\$ 333,838	\$ 326,143	

NOTE F — GOODWILL AND INTANGIBLE ASSETS

Our four reporting units, which are also reportable segments, are Food Service, Retail Supermarket, The Restaurant Group and Frozen Beverages.

The carrying amount of acquired intangible assets for the reportable segments are as follows:

	September 30, 2006		September 24, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(in thousands)				
Food Service				
Amortized intangible assets Licenses and rights	\$ 9,013	\$ 3,029	\$ 8,913	\$ 1,906
Retail Supermarket				
Amortized intangible assets Licenses and rights	\$ —	\$ —	\$ —	\$ —
The Restaurant Group				
Amortized intangible assets Licenses and rights	\$ —	\$ —	\$ —	\$ —
Frozen Beverages				
Indefinite lived intangible assets Licenses and rights	\$ 8,960	\$ —	\$ —	\$ —
Amortized intangible assets Licenses and rights	\$ 8,175	\$ 450	\$ 201	\$ 165
	\$17,135	\$ 450	\$ 201	\$ 165

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE F — GOODWILL AND INTANGIBLE ASSETS — (Continued)

Licenses and rights are being amortized by the straight-line method over periods ranging from 4 to 20 years and amortization expense is reflected throughout operating expenses. In fiscal year 2005, intangible assets of \$6,080,000 were acquired in the Snackworks acquisition. In January 2006, intangible assets of \$1,746,000 were acquired in the ICEE of Hawaii acquisition and a product license agreement for \$100,000 was entered into by the food service segment. In May 2006, intangible assets of \$15,188,000 were acquired in the SLUSH PUPPIE acquisition. Aggregate amortization expense of intangible assets for the fiscal years 2006, 2005 and 2004 was \$1,408,000, \$822,000 and \$443,000.

Estimated amortization expense for the next five fiscal years is approximately \$1,900,000 in 2007, \$1,800,000 in 2008, \$1,600,000 in 2009 and 2010, and \$1,500,000 in 2011. The weighted average amortization period of the intangible assets is 10.2 years.

Goodwill

The carrying amounts of goodwill for the reportable segments are as follows:

	Food Service	Retail Supermarkets	Restaurant Group	Frozen Beverages	Total
	(in thousands)				
Balance at September 30, 2006	\$ 22,225	\$ —	\$ 386	\$ 35,337	\$ 57,948
Balance at September 24, 2005	\$ 21,386	\$ —	\$ 386	\$ 31,850	\$ 53,622

Goodwill of \$7,145,000 in the food service segment was acquired in the March 2005 acquisition of Snackworks, LLC. and \$839,000 was acquired in an acquisition in August 2006. Goodwill of \$500,000 in the frozen beverages segment was acquired in the January 2006 acquisition of ICEE of Hawaii. Goodwill of \$2,987,000 in the frozen beverages segment was acquired in the May 2006 acquisition of the SLUSH PUPPIE branded business.

NOTE G — LONG-TERM DEBT

In December 2006, we entered into an amended and restated loan agreement with our existing banks which provides for up to a \$50,000,000 revolving credit facility repayable in December 2011, with the availability of repayments without penalty. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. As of September 30, 2006 and September 24, 2005, there were no outstanding balances under the prior facility.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2006 and 2005 was \$2,800,000 and \$2,700,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 30, 2006 and September 24, 2005, we had outstanding letters of credit totaling approximately \$8,620,000 and \$7,700,000, respectively.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE H — INCOME TAXES

Income tax expense (benefit) is as follows:

	Fiscal year ended		
	September 30, 2006	September 24, 2005	September 25, 2004
	(in thousands)		
Current			
U.S. Federal	\$ 15,982	\$ 13,932	\$ 9,441
Foreign	233	210	140
State	2,503	1,791	960
	<u>18,718</u>	<u>15,933</u>	<u>10,541</u>
Deferred			
U.S. Federal	(82)	(153)	2,200
State	(14)	(21)	194
	<u>(96)</u>	<u>(174)</u>	<u>2,394</u>
	<u>\$ 18,622</u>	<u>\$ 15,759</u>	<u>\$ 12,935</u>

The provisions for income taxes differ from the amounts computed by applying the statutory federal income tax rate of approximately 35% to earnings before income taxes for the following reasons:

	Fiscal year ended		
	September 30, 2006	September 24, 2005	September 25, 2004
	(in thousands)		
Income taxes at statutory rates	\$ 16,825	\$ 14,631	\$ 12,283
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal income tax benefit	1,663	1,170	725
Other, net	134	(42)	(73)
	<u>\$ 18,622</u>	<u>\$ 15,759</u>	<u>\$ 12,935</u>

Deferred tax assets and liabilities consist of the following:

	September 30, 2006	September 24, 2005
		(in thousands)
Deferred tax assets		
Vacation accrual	\$ 908	\$ 831
Insurance accrual	2,883	2,624
Deferred income	138	225
Allowances	1,326	1,181
Other, net	921	666
	<u>6,176</u>	<u>5,527</u>
Deferred tax liabilities		
Amortization of goodwill and other intangible assets	8,758	7,428
Depreciation of property and equipment	12,874	13,643
Other, net	42	50
	<u>21,674</u>	<u>21,121</u>
	<u>\$ 15,498</u>	<u>\$ 15,594</u>

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE I — COMMITMENTS**1. Lease Commitments**

The following is a summary of approximate future minimum rental commitments for non-cancelable operating leases with terms of more than one year as of September 30, 2006:

	Plants and Offices	Equipment	Total
	(in thousands)		
2007	\$ 4,702	\$ 5,222	\$ 9,924
2008	3,991	4,188	8,179
2009	3,577	2,865	6,442
2010	2,949	982	3,931
2011	2,282	177	2,459
2012 and thereafter	6,359	88	6,447
	\$ 23,860	\$ 13,522	\$ 37,382

Total rent expense was \$13,418,000, \$11,516,000 and \$11,220,000 for fiscal years 2006, 2005 and 2004, respectively.

2. Other Commitments

We are a party to litigation which has arisen in the normal course of business which management currently believes will not have a material adverse effect on our financial condition or results of operations.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2006 and 2005 was \$2,800,000 and \$2,700,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 30, 2006 and September 24, 2005, we had outstanding letters of credit totaling approximately \$8,620,000 and \$7,700,000, respectively.

NOTE J — CAPITAL STOCK

In fiscal years 2004, 2005 and 2006, we did not purchase and retire any shares of our common stock.

NOTE K — STOCK OPTIONS

We have a Stock Option Plan (the "Plan"). Pursuant to the Plan, stock options may be granted to officers and our key employees which qualify as incentive stock options as well as stock options which are nonqualified. The exercise price of incentive stock options is at least the fair market value of the common stock on the date of grant. The exercise price for nonqualified options is determined by a committee of the Board of Directors. The options are generally exercisable after three years and expire no later than ten years from date of grant. There were 800,000 shares reserved under the Plan; options for 263,000 shares remain unissued as of September 30, 2006. There are options that were issued under an option plan that has since expired that are still outstanding.

We have an Employee Stock Purchase Plan ("ESPP") whereby employees purchase stock by making contributions through payroll deductions for six month periods. The purchase price of the stock is 85% of the lower of the market price of the stock at the beginning of the six-month period or the end of the six-month period. In fiscal years 2006, 2005 and 2004 employees purchased 23,205, 23,996 and 25,436 shares at average purchase prices of \$23.95, \$18.53 and \$14.66, respectively.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE K — STOCK OPTIONS — (Continued)

A summary of the status of our stock option plans as of fiscal years 2006, 2005 and 2004 and the changes during the years ended on those dates is represented below:

	Incentive Stock Options		Nonqualified Stock Options	
	Stock Options Outstanding	Weighted-Average Exercise Price	Stock Options Outstanding	Weighted-Average Exercise Price
Balance, September 28, 2003	1,211,258	\$ 11.28	638,000	\$ 9.00
Granted	207,400	20.04	20,000	20.43
Exercised	(437,054)	9.19	(74,000)	5.50
Cancelled	(40,498)	12.24	—	—
Balance, September 25, 2004	941,106	14.06	584,000	9.84
Granted	12,646	23.65	24,354	21.35
Exercised	(177,052)	9.43	(88,000)	5.89
Cancelled	(27,212)	15.14	—	—
Balance, September 24, 2005	749,488	15.28	520,354	11.04
Granted	135,671	29.73	40,000	30.44
Exercised	(111,224)	13.75	(68,000)	6.13
Cancelled	(44,000)	19.70	—	—
Balance, September 30, 2006	729,935	\$ 17.93	492,354	\$ 13.30
Exercisable Options, September 30, 2006	432,930		408,000	

The weighted-average fair value of incentive options granted during fiscal years ended September 30, 2006, September 24, 2005 and September 25, 2004 was \$9.48, \$7.95 and \$7.08, respectively. The weighted-average fair value of nonqualified stock options granted during the fiscal years ended September 30, 2006 and September 24, 2005 was \$14.79 and \$8.80, respectively.

The following table summarizes information about incentive stock options outstanding at September 30, 2006:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at September 30, 2006	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at September 30, 2006	Weighted-Average Exercise Price
\$ 6.38 – \$ 7.94	81,000	4.0 years	\$ 6.49	81,000	\$ 6.49
\$10.60 – \$15.20	139,932	4.8 years	\$ 10.73	139,932	\$ 10.73
\$16.85 – \$22.40	372,886	2.2 years	\$ 18.83	211,998	\$ 17.65
\$27.42 – \$32.98	136,117	4.2 years	\$ 29.66	—	\$ —
	729,935			432,930	

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE K — STOCK OPTIONS — (Continued)

The following table summarizes information about nonqualified stock options outstanding at September 30, 2006:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at September 30, 2006	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at September 30, 2006	Weighted-Average Exercise Price
\$ 6.19 – \$ 7.97	136,000	2.1 years	\$ 7.08	136,000	\$ 7.08
\$ 9.63 – \$10.88	204,000	2.9 years	\$ 10.27	204,000	\$ 10.27
\$19.77 – \$29.78	132,354	6.0 years	\$ 21.67	68,000	\$ 19.77
\$31.10 – \$31.10	20,000	10.0 years	\$ 31.10	—	—
	492,354			408,000	

NOTE L — 401(k) PROFIT-SHARING PLAN

We maintain a 401(k) profit-sharing plan for our employees. Under this plan, we may make discretionary profit-sharing and matching 401(k) contributions. Contributions of \$1,219,000, \$1,243,000 and \$1,141,000 were made in fiscal years 2006, 2005 and 2004, respectively.

NOTE M — CASH FLOW INFORMATION

The following is supplemental cash flow information:

	Fiscal year ended		
	September 30, 2006	September 24, 2005	September 25, 2004
	(in thousands)		
Cash paid for:			
Interest	\$ 4	\$ 26	\$ —
Income taxes	17,465	14,734	11,350

NOTE N — SEGMENT REPORTING

We principally sell our products to the food service and retail supermarket industries. We also distribute our products directly to the consumer through our chain of retail stores referred to as The Restaurant Group. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business and restaurant group because of different distribution and capital requirements. We maintain separate and discrete financial information for the four operating segments mentioned above which is available to our Chief Operating Decision Makers. We have applied no aggregate criteria to any of these operating segments in order to determine reportable segments. Our four reportable segments are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income (loss). These segments are described below.

Food Service

The primary products sold to the food service industry are soft pretzels, frozen juice treats and desserts, churros and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE N — SEGMENT REPORTING — (Continued)

and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket industry are soft pretzel products — including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, BARQ'S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, our frozen and prepackaged products are purchased by the consumer for consumption at home.

The Restaurant Group

We sell direct to the consumer through our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

Frozen Beverages

We sell frozen beverages to the food service industry, including our restaurant group, primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE N — SEGMENT REPORTING — (Continued)

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these four reportable segments is as follows:

	Fiscal year ended		
	September 30, 2006	September 24, 2005	September 25, 2004
	(in thousands)		
Sales to external customers:			
Food Service	\$ 320,167	\$ 280,123	\$ 250,523
Retail Supermarket	46,948	42,347	38,843
The Restaurant Group	3,897	5,409	7,623
Frozen Beverages	143,819	129,233	119,599
	<u>\$ 514,831</u>	<u>\$ 457,112</u>	<u>\$ 416,588</u>
Depreciation and Amortization:			
Food Service	\$ 13,992	\$ 13,715	\$ 13,504
Retail Supermarket	—	—	—
The Restaurant Group	102	209	422
Frozen Beverages	10,514	10,338	10,142
	<u>\$ 24,608</u>	<u>\$ 24,262</u>	<u>\$ 24,068</u>
Operating Income (Loss):			
Food Service	\$ 32,083	\$ 26,401	\$ 21,266
Retail Supermarket	1,945	2,918	2,701
The Restaurant Group	(253)	(314)	(988)
Frozen Beverages	11,289	11,244	12,213
	<u>\$ 45,064</u>	<u>\$ 40,249</u>	<u>\$ 35,192</u>
Capital Expenditures:			
Food Service	\$ 11,111	\$ 9,832	\$ 9,294
Retail Supermarket	—	—	—
The Restaurant Group	3	45	22
Frozen Beverages	8,625	11,755	12,328
	<u>\$ 19,739</u>	<u>\$ 21,632</u>	<u>\$ 21,644</u>
Assets:			
Food Service	\$ 218,834	\$ 209,734	\$ 183,740
Retail Supermarket	—	—	—
The Restaurant Group	838	1,010	1,461
Frozen Beverages	121,136	95,180	92,223
	<u>\$ 340,808</u>	<u>\$ 305,924</u>	<u>\$ 277,424</u>

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE O — QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal Year Ended September 30, 2006			
	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Diluted Share ⁽¹⁾
	(in thousands, except per share information)			
1st Quarter	\$ 108,571	\$ 33,117	\$ 3,010	\$.16
2nd Quarter	112,044	35,226	4,137	.22
3rd Quarter	140,132	50,733	10,786	.57
4th Quarter	154,084	53,343	11,517	.61
	\$ 514,831	\$ 172,419	\$ 29,450	\$ 1.57
	Fiscal Year Ended September 24, 2005			
	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Diluted Share ⁽¹⁾
	(in thousands, except per share information)			
1st Quarter	\$ 98,521	\$ 29,996	\$ 2,482	\$.13
2nd Quarter	99,350	32,196	3,790	.20
3rd Quarter	129,452	46,275	9,879	.53
4th Quarter	129,789	46,580	9,892	.53
	\$ 457,112	\$ 155,047	\$ 26,043	\$ 1.40

All share amounts reflect the 2-for-1 stock split effective January 5, 2006.

(1) Total of quarterly amounts do not necessarily agree to the annual report amounts due to separate quarterly calculations of weighted average shares outstanding

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
J&J Snack Foods Corp. and Subsidiaries

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of J&J Snack Foods Corp. and Subsidiaries referred to in our report dated November 10, 2006 (except for Note G, as to which the date is December 1, 2006), which is included in the Annual Report to Shareholders and incorporated by reference in Part II of this form. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule II is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
November 10, 2006 (except for Note G, as to which the date is December 1, 2006)

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Year	Description	Opening Balance	Charged to expense	Deductions	Closing Balance
2006	Allowance for doubtful accounts	\$ 1,054,000	\$ 300,000	\$ 391,000(1)	\$ 963,000
2005	Allowance for doubtful accounts	1,104,000	112,000	162,000(1)	1,054,000
2004	Allowance for doubtful accounts	991,000	245,000	132,000(1)	1,104,000
2006	Inventory Reserve	1,922,000	408,000	—	2,330,000
2005	Inventory Reserve	1,131,000	791,000	—	1,922,000
2004	Inventory Reserve	617,000	514,000	—	1,131,000

(1) Write-off of uncollectible accounts receivable.



Coun...

1974

• J&J introduces unlabeled soft pretzel display case.

1973

• Sales break \$1 million mark.
• SUPERPRETZEL Soft Pretzel trademark registered.

1975

• Plant expanded, production capacity doubled.

1972

• Los Angeles branch opens. Business activity is initiated in Western U.S.

1976 - 77

• National network of distributors developed. Soft pretzel markets expanded.

1971

• September 27 - Gerald B. Shriller purchases J&J Soft Pretzel Co. at bankruptcy auction. J&J Snack Foods Corp. established in Parsippany, NJ.

1978

• Acquisition of two soft pretzel manufacturers gives J&J a national presence:
- Frampson Corp. - St. Louis, MO
- Pretzel Man Corp. - Los Angeles, CA

• "King Star" soft pretzels introduced.

1980 - 81

• Chorro product acquired from subsidiary of Rapid American Corp. TIO PEPIN Chorro created.

1982

• Exclusive licensed rights for the manufacture and sale of AMF pretzel cutters acquired.

1983 - 84

• New building acquired and major expansion completed. Capacity increases fourfold.

• Acquisition of B&P Soft Pretzel Co. (formerly Bachman Soft Pretzel Co.)

• SUPER JUICE Juice Bar product line introduced.

1985 - 86

• J&J expands into retail supermarket business.

• Company completes successful IPO of 800,000 shares. Stock is traded on NASDAQ.

• DUTCHE soft pretzel business acquired.

• Southern Food Products acquired and western soft pretzel operations relocated to its facility in Yuma, CA.

• Sales go over \$20 million.

1987

• At first Annual Shareholders' Meeting, Gerald B. Shriller, Chairman, announces \$100 million sales goal by 1992.

• Company completes successful \$20 million Convertible Debenture offering.

• Interest in ICEE-USA is acquired, adding Freeze Carbonated Beverages.

• J&J acquires FROSTAR frozen novelties from Schwan's.

1988

• J&J is recognized by *Forbes* magazine as one of the "200 Best Small Companies."

• Acquisitions of:

- Trellier Soft Pretzel Co.
- Western Syrup
- American Snack Foods
- M&A Products Co.



CALIFORNIA Natural



PRETZEL PRETZELS

THE Funnel Cake FACTORY



1989

- New generation of soft pretzel tasteless developed. (Keg size soft pretzel production automated).
- \$29 million Convertible Debentures converted to common stock 2 years after issuance.

1994

- Acquisitions of:
 - The Fuzze Cake Factory, Inc.
 - Bavarian Soft Pretzels, Inc.

1995

- ICEE International rights acquired.

1996

- Acquisitions of:
 - Pretzel Gourmet Corp.
 - Mazzoni Enterprises, Inc.
 - Sahara Best Snack Food Corp.

- New frozen warehouse and distribution center opened in Yuma, CA.

1997

- Acquisitions of:
 - Pretzels, Inc.
 - Mama Tish's International Foods.

1990

- Acquisition of Michigan Carbonic Company (Frozen Cola).

1991

- Company logo updated.
- Additional common stock offering raises \$23 million.
- Sales exceed \$100 million.

- J&J is again recognized by Forbes Magazine.

1992

- SOFTSTIX Cheese Filled Soft Pretzel Sticks introduced.

- ARCTIC BLAST frozen carbonated beverage introduced.

1993

- New 194,000 square foot state-of-the-art distribution center opened at Pennsylvania facility.

1998

- Acquisition of National ICEE Corp.

- MRS. GOODCOOK® ready-to-bake cookies are introduced.

1999

- Acquisition of CAMDEN CREEK BAKERY.

- Frozen novelties are introduced under the ICEE brand.

2000

- J&J launches a line of frozen desserts under the MINUTE MAID brand.

- SUPERPRETZEL merchandise/display is updated with a new look for the millennium.

2001

- Acquisition of Uptown Bakeries.

- PRETZE, FILLERS, filled and topped soft pretzels, are introduced.

2002

- Gourmet Twists topped soft pretzels introduced.

- Bury's Frozen Root Beer Float introduced.

- Sales reach \$353 Million.

2004

- Acquisition of Country Home Bakers.

- Baseball great Roger Clemens joins our team as a spokesperson.

- Recognized by Forbes again.

2003

- PRETZELFLIPS introduced.

- Recognized by Forbes again.

2006

- Hawaii ICEE business acquired.

- SLUSH PUPPIE acquired.

- Forbes names J&J on the "200 Best" for fourth consecutive year, sixth time overall.

- Sales surpass \$600 million.

2005

- Snackworx soft pretzel business acquired.

- Recognized by Forbes again.

- Recognized by Forbes again.



Corporate Information

OFFICERS

Bernd E. Haveler
Chairman of the Board,
President and Chief Executive Officer

Dennis G. Moore
Senior Vice President, Chief Financial
Officer, Secretary and Treasurer

Robert E. Reines
Senior Vice President and
Chief Operating Officer

Michael Korman
Senior Vice President, Marketing

John McNeil
Vice President, Information Systems

Harry Franklin
Vice President, Human Resources

DIRECTORS

Bernd E. Haveler
Chairman of the Board,
President and Chief Executive Officer

Dennis G. Moore
Senior Vice President, Chief Financial
Officer, Secretary and Treasurer

Malvey R. Brown (NYSE)
Chief Executive Officer,
NFI Industries

Peter H. Stealey (NYSE)
Vice President,
Emerging Growth Equities, Ltd.

Lawrence H. Loshak, Ph.D. (NYSE)
Samuel R. Hurst Professor,
Marketing Department and Vice Dean,
Wharton School of the University of Pennsylvania

OFFICERS OF SUBSIDIARY COMPANIES

J&J SNACK FOODS SALES CORP.

GBT Best
Vice President, Distributor Sales

Barbara Dowdell
Regional Vice President, Foodservice Sales

John Duzicki
Vice President, Service & Assembly

Tom Hambr
Vice President/General Manager
Upturn Services

Paul Klingenstein
Vice President, Sales - France Denmark

Severd Law
Vice President, Western Operations

H. Robert Long
Vice President, Distribution

Harry A. McLoughlin
Vice President, Controller

Robert J. Pace
Vice President, Sales-Retail

Loann-Cliff Tim
Vice President, Chief Financial Officer,
J&J Snack Foods Corp. of California

Silverio J. Taylor
Vice President, Sales-Food Service

Thomas Weber
Vice President, Operations

NIA PRODUCTS

T.J. Coombs
Vice President/General Manager

Edward Pugh
Vice President, Research & Development

The ICEE COMPANY

Don Fischer
President

East Callaway
Vice President and Chief Financial Officer

Scott Girler
Vice President, Operations

Leif Fioravito
Vice President, Service Development

David Linder
Vice President, Controller

Rich Taylor
Vice President/General Manager
Central Zone

Don O'Malley
Vice President/General Manager
Western Zone

Red Secker
Vice President, Service Support

Mark Winterhalter
Vice President/General Manager
Eastern Zone

Steve Woods
Vice President, Marketing

ICEE DE MEXICO, S.A. DE C.V.

Andree Scoville
Vice President/General Manager

PRETZELS, INC.

Gary Fivell
President

COUNTRY HOME BAKERS, INC.

Charles Turmelino
Vice President, Sales - READING

Ellen Hartman
Vice President, General Manager

QUARTERLY COMMON STOCK DATA

FISCAL 2008	MARKET PRICE	
	HIGH	LOW
1st Quarter	33.94	28.82
2nd Quarter	34.92	29.88
3rd Quarter	34.41	28.79
4th Quarter	31.94	28.88

FISCAL 2007	MARKET PRICE	
	HIGH	LOW
1st Quarter	32.48	28.13
2nd Quarter	34.28	29.88
3rd Quarter	27.62	22.43
4th Quarter	34.88	29.48

STOCK LISTING

The common stock of J&J Snack Foods Corp. is traded on the NASDAQ National Market System with the symbol JJSF.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
New York, NY

INDEPENDENT ACCOUNTANTS

Grant Thornton LLP
Philadelphia, PA

COUNSEL

Blank Rome, LLP
Cherry Hill, NJ

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for Tuesday, February 7, 2007 at 11:00 AM at the Holiday Inn, 2177 Martin Hill, Cherry Hill, NJ

FORM 10-K

Copies of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained without charge by writing to:

J&J Snack Foods Corp.
800 Central Highway
Parsippany, NJ 07054
Attention: Dennis G. Moore

or by accessing our website www.jjsf.com or while our SEC filings are made available or by going to the SEC's Public Reference Room to read and copy filings or by accessing the SEC's website, www.sec.gov.

J&J SNACK FOODS CORP.



*Minute Maid® is a registered trademark of The Coca-Cola Company. "Ginnabon" design and logo, and CinnAPretzel, are registered trademarks of Ginnabon, Inc.

www.jjsnack.com

BYLAWS OF J & J SNACK FOODS CORP.

ARTICLE I

OFFICES

Section 1. The registered office shall be located at Woodland Falls Corporate Park, 210 Lake Drive East, Suite 200, Cherry Hill, New Jersey 08002 unless otherwise established by a vote of a majority of the votes entitled to be cast by the board of directors in office and a statement of change is filed in the manner provided by statute.

Section 2. The corporation may also have offices at such other places both within and without the State of New Jersey as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

SHAREHOLDERS MEETINGS

Section 1. Annual Meeting. An annual meeting of shareholders shall be held on such day and at such time as may be designated by the Board of Directors for the purpose of electing directors and for the transaction of such other business as properly may come before such meeting. Any previously scheduled annual meeting of the Shareholders may be postponed by resolution of the Board of Director upon public notice given on or prior to the date previously scheduled for such annual meeting of shareholders.

Section 2. Business to be Conducted at Annual Meeting.

(a) At an annual meeting of shareholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by any shareholder of the Corporation who is a shareholder of record at the time of giving of the notice provided for in this By-Law, who shall be entitled to vote at such meeting and who shall have complied with the notice procedures set forth in this By-Law.

(b) For business to be properly brought before an annual meeting by a shareholder pursuant to clause (a)(iii) of this By-Law, notice in writing must be delivered or mailed to the Secretary and received at the General Offices, not less than 120 days nor more than 90 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of shareholders; provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such meeting's anniversary date, notice by the shareholder must be received not later than the 90th day prior to such date of mailing of proxy materials and not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the annual meeting is first made. Such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business to be brought before the annual meeting and the reasons for conducting such business at such meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the shareholder, and by the beneficial owner, if any, on whose behalf the proposal is made; and (iv) any material interest of the shareholder, and of the beneficial owner, if any, on whose behalf the proposal is made, in such business. For purposes of these By-Laws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(c) Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this By-Law. The chairman of the meeting may, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with the provisions of this By-Law; and if the chairman should so determine, the chairman shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this By-Law, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, and any such proposal so included shall be deemed timely given for purposes of this By-Law

Section 3. Special Meetings. Special meetings of Shareholders for any proper purpose or purposes, unless otherwise provided by the General Corporation Law of the State of New Jersey or in any Certificate of Designation designating any series of Preferred Stock pursuant to Article V of the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") that shall be in effect under the General Corporation Law of the state of New Jersey, (a "Preferred Stock Designation"), may be called by the Chairman of the Board, the Chief Executive Officer or the President, or in the absence of each of them, by the Secretary at the written request of a majority of the directors. Business transacted at a special meeting of Shareholders shall be confined to the purpose or purposes of the meeting as stated in the notice of the meeting. Any previously scheduled special meeting of the shareholders may be postponed by resolution of the Board of Directors upon notice by public announcement given on or prior to the date previously scheduled for such special meeting of Shareholders.

Section 4. Place of Meetings. All meetings of Shareholders shall be held at such place as may be determined by resolution of the Board of Directors.

Section 5. Notice of Meetings. Except as otherwise required by applicable law, notice of each meeting of the Shareholders, whether annual or special, shall, at least 10 days but not more than 60 days before the date of the meeting, be given to each shareholder of record entitled to vote at the meeting by mailing such notice in the U.S. mail, postage prepaid, addressed to such shareholder at such shareholder's address as the same appears on the records of the Corporation. Such notice shall state the place, date and hour of the meeting, and in the case of a special meeting, shall also state the purpose or purposes thereof.

Section 6. Nominations of Directors.

(a) Only persons who are nominated in accordance with the procedures set forth in these By-Laws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at a meeting of Shareholders (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Corporation who is a shareholder of record at the time of giving of the notice provided for in this By-Law, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this By-Law.

(b) Nominations by Shareholders shall be made pursuant to notice in writing, delivered or mailed to the Secretary and received at the General Offices (i) in the case of an annual meeting, not less than 60 days nor more than 90 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of Shareholders, provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder must be received not earlier than the 90th day prior to such date of mailing of proxy materials and not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the meeting is first made; or (ii) in the case of a special meeting at which directors are to be elected, not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made. In the case of a special meeting of Shareholders at which directors are to be elected, Shareholders may nominate a person or persons (as the case may be) for election only to such position(s) as are specified in the Corporation's notice of meeting as being up for election at such meeting. Such shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named as a nominee and to serving as a Director if elected); (ii) as to the shareholder giving the notice, the name and address, as they appear on the Corporation's books, of such shareholder and the class and number of shares of the Corporation's stock which are beneficially owned by such shareholder; and (iii) as to any beneficial owner on whose behalf the nomination is made, the name and address of such person and the class and number of shares of the Corporation's stock which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination that pertains to the nominee. Notwithstanding anything in this By-Law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public statement naming all the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the General Offices not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(c) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these By-Laws. The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed in this By-Law; and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this By-Law, a shareholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this By-Laws.

Section 7. List of Shareholders.

(a) The Secretary of the Corporation shall prepare before each meeting of Shareholders, a complete list of the Shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. The list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

(b) The stock ledger of the Corporation shall be the only evidence as to the identity of the Shareholders entitled to (i) to vote in person or by proxy at any meeting of Shareholders, or (ii) to exercise the rights in accordance with the applicable law to examine the stock ledger, the list required by this By-law or the books and records of the Corporation.

Section 8. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at all meetings of the Shareholders, except as otherwise provided by applicable law, by the Certificate of Incorporation or by these By-Laws. The Shareholders present at any duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of sufficient Shareholders to render the remaining Shareholders less than a quorum. Whether or not a quorum is present, either the Chairman of the meeting or a majority of the Shareholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. At such adjourned meeting at which the requisite amount of voting stock shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 9. Voting and Required Vote. Subject to the provisions of the Certificate of Incorporation, each shareholder shall, at every meeting of Shareholders, be entitled to one vote for each share of capital stock held by such shareholder. Subject to the provisions of the Certificate of Incorporation and applicable law, directors shall be chosen by the vote of a plurality of the shares present in person or represented by proxy at the meeting; and all other questions shall be determined by the affirmative vote of the majority of shares present in person or represented by proxy at the meeting. Elections of directors shall be by written ballot.

Section 10. Proxies. Each shareholder entitled to vote at a meeting of Shareholders may authorize another person or persons to act for such shareholder by proxy, provided the instrument authorizing such proxy to act shall have been executed in writing in the manner prescribed by applicable law. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 11. Inspectors of Election; Polls. Before each meeting of Shareholders, the Chairman of the Board or another officer of the Corporation designated by resolution of the Board of Directors shall appoint one or more inspectors of election for the meeting and may appoint one or more inspectors to replace any inspector unable to act. If any of the inspectors appointed shall fail to attend, or refuse or be unable to serve, substitutes shall be appointed by the chairman of the meeting. Each inspector shall have such duties as are provide by applicable law, and shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such person's ability. The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and closing of the polls for each matter upon which the Shareholders will vote at the meeting.

Section 12. Organization. The Chairman of the Board of Directors, or in the Chairman's absence, (i) the Chief Executive Officer, (ii) the Vice Chairman of the Board of Directors, (iii) the President, or (iv) in the absence of each of them, a chairman chosen by a majority of the directors present, shall act as chairman of the meetings of the Shareholders, and the Secretary or, in the Secretary's absence, an Assistant Secretary or any employee of the Corporation appointed by the chairman of the meeting, shall act as secretary of the meeting. The order of business and the procedure at any meeting of Shareholders shall be determined by the chairman of the meeting.

Section 13. No Shareholder Action by Written Consent. Any action required or permitted to be taken by the Shareholders of the Corporation must be effected at a duly called annual or special meeting of Shareholders of the Corporation and may not be effected by any consent in writing in lieu of a meeting of such Shareholders.

ARTICLE III

DIRECTORS

Section 1. (a) The number of directors which shall constitute the whole board of directors shall be not less than three nor more than fifteen. The exact number of directors within such maximum and minimum shall be determined by resolution duly adopted by the board of directors by a majority vote of all votes entitled to be cast by the entire board of directors. No decrease in the number of directors shall shorten the term of any incumbent director.

(b) The board of directors shall be divided into five classes with each class serving five-year terms. At the annual meeting of shareholders in 1990 the board of directors was reclassified and each director on the then existing board of directors was placed in one of five classes. The director in class I shall hold office for a term expiring at the next succeeding annual meeting, the director in class II shall hold office for a term expiring at the second succeeding annual meeting, the director in class III shall hold office for a term expiring at the third succeeding annual meeting, the director in class IV shall hold office for a term expiring at the fourth succeeding annual meeting, and the director in class V shall hold office for a term expiring at the fifth succeeding annual meeting.

At each annual shareholders' meeting following the 1990 annual meeting of shareholders, the number of directors equal to the number of directors in the class whose term expires at the time of such meeting shall be elected to hold office until the fifth succeeding annual meeting of shareholders following such meeting. Each director so elected shall hold office until his term expires and his successor is elected and qualified, or until his earlier resignation or removal.

(c) Newly elected directorships resulting from any increase in the authorized number of directors and any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of all votes entitled to be cast by the entire board of directors.

(d) So long as the board of directors is classified, one or more or all of the directors of the corporation may only be removed from office by the shareholders of the corporation for Cause (as defined herein) upon the affirmative vote of 66-2/3% or more of the votes entitled to be cast by the holders of all shares in the election of directors, and no director may be removed by the shareholders of the corporation without a determination that Cause exists. The term "Cause" is defined as (i) conviction of the director of a felony, (ii) declaration by order of a court that the director is of unsound mind; or (iii) gross abuse of trust which is proven by clear and convincing evidence to have been committed in bad faith. The board of directors shall also have the power to remove directors for any proper cause (whether or not similar to the Cause defined above) and to suspend directors pending a final determination that cause exists for removal.

(e) Any directors elected pursuant to any special voting rights of one or more series of Preferred Stock shall be excluded from, and for no purpose be counted in, the scope and operation of the foregoing provisions of this Article V.

(f) Directors need not be residents of the State of New Jersey nor shareholders of the corporation.

Section 2. Any director or member of a committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time be specified, at the time of its receipt by the Chairman of the Board, the president or the secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 3. Newly created directorships resulting from any increase in the authorized number of directors and any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of all votes entitled to be cast by the entire board, and directors so chosen shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which they had been elected expires.

Section 4. The business affairs of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the shareholders.

Section 5. The directors may keep the books and records of the corporation, except such as are required by law to be kept within the state, outside of the State of New Jersey, at such place or places as they may from time to time determine.

Section 6. The board of directors, by the affirmative vote of a majority of all votes entitled to be cast by the directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise.

ARTICLE IV

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Meetings of the board of directors, regular or special, may be held either within or without the State of New Jersey.

Section 2. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the shareholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the shareholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the shareholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be fixed by the consent in writing of all the directors.

Section 3. Regular meetings of the board of directors may be held upon such notice, or without notice, and at such time and at such place as shall from time to time be determined by the board.

Section 4. Special meetings of the board of directors shall be held whenever called by the Chairman of the Board or the president, and special meetings shall be called by the Chairman of the Board, the president or the secretary on the written request of two directors.

Section 5. Notices. Notice of any special meeting of the Board of Directors shall be addressed to each director at such director's residence or business address and shall be sent to such director by mail, electronic mail, telecopier, telegram or telex or telephoned or delivered to such director personally. If such notice is sent by mail, it shall be sent not later than three days before the day on which the meeting is to be held. If such notice is sent by electronic mail, telecopier, telegram or telex, it shall be sent not later than 24 hours before the time at which the meeting is to be held. If such notice is delivered personally, it shall be received not later than 24 hours before the time at which the meeting is to be held. If such notice is telephoned, it shall be to such telephone number or numbers of which the director from time to time shall advise the Secretary of receiving such notice. If given by telephone call, notice shall be deemed given to a director when a message stating the time, place and purpose of the meeting is left with a person answering the telephone at any such number with a request that the director be so informed, or if no such telephone number is answered, then when at least two attempts have been made to reach each telephone number designated by the director for receiving telephonic notice, with an interval of not less than one hour. A certification shall be prepared and filed with the minutes stating the date, time and results of telephonic notice given to any director not present at a meeting with respect to which his waiver of notice of meeting is not filed with the minutes. In all cases, such notice shall state the time, place and purpose or purposes of the meeting. Notice of each such meeting shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone) or 48 hours (in the case of notice by telegram) or five days (in the case of notice by mail) before the time at which the meeting is to be held. Each such notice shall state the time and place of the meeting to be so held. Notice need not be given to any director who signs a waiver of notice, whether before or after the meeting.

Section 6. (a) Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(b) Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 7. (a) The presence, in person or by proxy, of a majority of the votes entitled to be cast by the entire board, or of any committee thereof, shall constitute a quorum for the transaction of business unless a greater or lesser number is required by statute or by the certificate of incorporation, except that when the entire board or a committee thereof consists of one director, then one director shall constitute a quorum. The act of directors entitled to cast a majority of the votes entitled to be cast by all directors present at any meeting at which a quorum is present shall be the act of the board of directors or of the committee, unless the act of a greater or lesser number is required by statute or by the certificate of incorporation.

(b) If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. Unless otherwise provided by the certificate of incorporation, any action required to be taken at a meeting of the board, or any committee thereof, shall be deemed the action of the board of directors or of a committee thereof, if all directors or committee members, as the case may be, execute either before or after the action is taken, a written consent thereto, and the consent is filed with the records of the corporation.

ARTICLE V

COMMITTEES OF THE BOARD

Section 1. (a) The board of directors may, by resolution adopted by a majority of the votes entitled to be cast by the entire board, alter or eliminate the committees of the board described in Section 2 below or designate one or more other committees, each committee to consist of one or more directors. Any such committee, to the extent provided in such resolution or these bylaws, shall have and exercise all of the authority of the board of directors in the management of the corporation, except as otherwise required by law. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. The board of directors may, by resolution adopted by a majority of the votes entitled to be cast by the entire board, fill any vacancy in any such committee, appoint one or more directors to serve as alternate members of any such committee, to act in the absence or disability of members of any such committee with all the powers of such absent or disabled members, abolish any such committee at its pleasure, and remove any director from membership on such committee at any time, with or without cause.

(b) Each committee of the board of directors formed pursuant to this section shall keep regular minutes of its meetings and actions taken at a meeting of any such committee shall be reported to the board at its next meeting following such committee meeting; except that, when the meeting of the board is held within two days after the committee meeting, such report shall, if not made at the first meeting, be made to the board at its second meeting following such committee meeting unless otherwise required by law to be earlier reported.

Section 2. The present standing committees of the board are as follows:

Audit Committee. The Audit Committee shall be composed of three members of the board as may from time to time be chosen by the board of directors, all of whom shall be independent directors as such term is defined under the rules of NASDAQ and other regulatory authorities. The Audit Committee shall have the authority and responsibility to (a) oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company; (b) prepare an Audit Committee report as required by the SEC's rules to be included in the Company's annual proxy statement; and (c) such other specific duties as may from time to time be set forth in the Audit Committee's Charter.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall be composed of three members of the board as may from time to time be chosen by the board of directors, all of whom shall be Independent Directors as provide in the rules of NASDAQ and other regulatory authorities. The Nominating Committee is responsible for establishing criteria for selecting directors, selecting nominees for directors, recommending directors for membership on various Board committees, the development, adoption and periodic monitoring of updating of corporate governance principles and policies and such other duties as may from time to time be established by the Board.

Compensation Committee. The Compensation Committee shall be composed of three members, all of whom must qualify as Independent Directors under the rules of NASDAQ and other regulatory authorities. The Compensation Committee is responsible for formulating, evaluating and approving the compensation of the Company's officers, overseeing all compensation programs involving the issuance of the Company's stock and other equity securities of the Company, preparing an annual report on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable rules and regulations, and such other duties and responsibilities as set forth in the Compensation Committee's Charter.

ARTICLE VI

NOTICES

Section 1. Whenever, under the provisions of any statute or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or shareholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in accordance with Section 4 of Article VI hereof.

Section 2. Whenever any notice whatsoever is required to be given under the provisions of any statute or under the provisions of the certificate of incorporation or these bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VII

OFFICERS

Section 1. The officers of the corporation shall be chosen by the board of directors and shall be a Chairman of the Board, a president, a secretary and a treasurer. The board of directors may also choose one or more vice-presidents and one or more assistant secretaries and assistant treasurers.

Section 2. The board of directors at its first meeting after each annual meeting of shareholders shall choose a Chairman of the Board, a president, a secretary, and a treasurer, none of whom need be a member of the board except for the Chairman of the Board.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board of directors.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

Section 5. Each officer of the corporation shall hold office until his successor is chosen and qualifies, except in the event of his death, resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the votes entitled to be cast by the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors. Any two or more offices, other than those of president and secretary, may be held by the same person.

THE CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board shall preside at all meetings of the board of directors and shareholders, if present thereat, may appoint between meetings of the board ad hoc committees to the board, which appointments shall be subject to the approval of the board at its next meeting, may make recommendations to the board with respect to the membership of the committees to the board, and shall exercise such other powers and perform such other duties as shall be assigned to him from time to time by the board.

THE PRESIDENT

Section 7. (a) The president shall, unless otherwise provided by the board of directors, be the chief executive officer of the corporation. In the absence of the Chairman of the Board he shall preside at all meetings of the board of directors and shareholders if present thereat. As chief executive officer, he shall have general supervision over the affairs of the corporation, subject to the policies and directives of the board of directors, and shall supervise and direct all officers and employees of the corporation, but may delegate in his discretion any of his powers to any officer or such other executives as he may designate. The president shall also be the chief operating officer of the corporation and shall have general supervision over and control of the operations and activities of the corporation, subject to the supervision and control of the board of directors and the chief executive officer, and shall have general supervision and direction of all operating officers and employees of the corporation, but may delegate in his discretion any of his powers as chief operating officer to any vice president or such other executives as he may designate. The president shall have such other duties as from time to time may be assigned to him by the board of directors.

(b) Notwithstanding the foregoing, the board of directors may appoint a vice president of the corporation as the corporation's chief operating officer, in which event such vice president shall have the power, authority and responsibilities prescribed for the chief operating officer in this Section 7.

Section 8. Either the Chairman of the Board or the president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

THE VICE-PRESIDENTS

Section 9. The vice president, or if there shall be more than one, the vice-presidents in the order determined by the board of directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the board of directors, the Chairman of the Board or the president may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

Section 10. The secretary shall attend all meetings of the board of directors and all meetings of the shareholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, the Chairman of the Board or the president, under whose several supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 11. The assistant secretary, or if there shall be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 12. The treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 13. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the president and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 14. If required by the board of directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 15. The assistant treasurer, or, if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER PERSONS

Section 1. Mandatory Indemnification of Directors and Officers

The corporation shall, to the fullest extent permitted by applicable law, indemnify its directors and officers who were or are a party or are threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether or not such action, suit or proceeding arises or arose by or in the right of the corporation or other entity) by reason of the fact that such director or officer is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee, general partner, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans), against expenses (including, but not limited to, attorneys' fees and costs), judgments, fines (including excise taxes assessed on a person with respect to any employee benefit plan) and amounts paid in settlement actually and reasonably incurred by such director or officer in accordance with such action, suit or proceeding, except as otherwise provided in Section 3 of Article VIII hereof. Persons who were directors or officers of the corporation prior to the date this Article VIII is approved by shareholders of the corporation, but who do not hold such office on or after such date, shall not be covered by this Section 1 of Article VIII. A director or officer of the corporation entitled to indemnification under this Section 1 of Article VIII is hereafter called a "person covered by Section 1 hereof."

EXPENSES

Section 2. Expenses incurred by a person covered by Section 1 hereof in defending a threatened, pending or completed civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation, except as otherwise provided in Section 3 of Article VIII.

EXCEPTIONS

Section 3. No indemnification under Section 1 of Article VIII or advancement or reimbursement of expenses under Section 2 of Article VIII shall be provided to a person covered by Section 1 hereof (a) with respect to expenses or the payment of profits arising from the purchase or sale of securities of the corporation in violation of Section 16(b) of the Securities Exchange Act of 1934; (b) if a judgment or other final adjudication adverse to such director or officer establishes that his acts or omissions (i) were in breach of his duty of loyalty to the corporation or its shareholders, (ii) were not in good faith or involved a knowing violation of law, or (iii) resulted in the receipt by such director or officer of an improper personal benefit; (c) for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, and amounts paid in settlement) which have been paid to, or for the benefit of, such person by an insurance carrier under a policy of liability insurance the premiums for which are paid by the corporation or an individual or entity other than such director or officer; and (d) for amounts paid in settlement of any threatened, pending or completed action, suit or proceeding without the written consent of the corporation, which written consent shall not be unreasonably withheld. The Board of Directors of the corporation is hereby authorized, at any time by resolution, to add to the above list of exceptions from the right of indemnification under Section 1 of Article VIII or advancement or reimbursement of expenses under Section 2 of Article VIII, but any such additional exception shall not apply with respect to any act or omission which has occurred prior to the date that the Board of Directors in fact adopts such resolution. Any such additional exception may, at any time after its adoption, be amended, supplemented, waived, or terminated by further resolution of the Board of Directors of the corporation.

CONTINUATION OF RIGHTS

Section 4. The indemnification and advancement or reimbursement of expenses provided by, or granted pursuant to, this Article VIII shall continue as to a person who has ceased to be a director or officer of the corporation, and shall inure to the benefit of the heirs, executors and administrators of such person.

GENERAL PROVISIONS

Section 5. (a) The term “to the fullest extent permitted by applicable law”, as used in this Article VIII, shall mean the maximum extent permitted by public policy, common law or statute. Any person covered by Section 1 hereof may, to the fullest extent permitted by applicable law, elect to have the right to indemnification or to advancement or reimbursement of expenses, interpreted, at such person’s option, (i) on the basis of the applicable law on the date this Article VIII was approved by shareholders, or (ii) on the basis of the applicable law in effect at the time of the occurrence of the act or omission or acts or omissions giving rise to the action, suit or proceeding, or (iii) on the basis of the applicable law in effect at the time indemnification is sought.

(b) The right of a person covered by Section 1 hereof to be indemnified or to receive an advancement or reimbursement of expenses pursuant to Section 2 of Article VIII (i) may also be enforced as a contract right pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the corporation and such person, (ii) to the fullest extent permitted by applicable law, is intended to be retroactive and shall be available with respect to acts or omissions occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification (as determined by such person) of this Article VIII with respect to acts or omissions occurring before such rescission or restrictive modification is adopted.

(c) If a request for indemnification or for the advancement or reimbursement of expenses pursuant hereto is not paid in full by the corporation within thirty days after a written claim has been received by the corporation together with all supporting information reasonably requested by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim (plus interest at the prime rate announced from time to time by the corporation's primary banker) and, if successful in whole or in part, the claimant shall be entitled also to be paid the expenses (including, but not limited to, attorney's fees and costs) of prosecuting such claim. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its shareholders) to have made a determination prior to the commencement of such action that indemnification of or the advancement or reimbursement of expenses to the claimant is proper in the circumstances, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its shareholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the action or create a presumption that the claimant is not so entitled.

(d) The indemnification and advancement or reimbursement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement or reimbursement of expenses may be entitled under the Certificate of Incorporation or any by-law, agreement, vote of shareholders or directors or otherwise, both as to action in such director's or officer's official capacity and as to action in another capacity while holding that office.

(e) Nothing contained in this Article VIII shall be construed to limit the rights and powers the corporation possesses under Section 14A:3-5 of the New Jersey Business Corporation Act (as amended from time to time) or otherwise, including, but not limited to, the powers to purchase and maintain insurance, create funds to secure or insure its indemnification obligations, and any other rights or powers the corporation may otherwise have under applicable law.

(f) The provisions of this Article VIII may, at any time (and whether before or after there is any basis for a claim for indemnification or for the advancement or reimbursement of expenses pursuant thereto), be amended, supplemented, waived, or terminated, in whole or in part, with respect to any person covered by Section 1 hereof by a written agreement signed by the corporation and such person.

(g) The corporation shall have the right to appoint the attorney for a person covered by Section 1 hereof, provided such appointment is not unreasonable under the circumstances.

OPTIONAL INDEMNIFICATION

Section 6. The corporation may, to the fullest extent permitted by applicable law, indemnify, and advance or reimburse expenses for, all persons (whether or not directors or officers) in all situations in which such indemnification, advancement or reimbursement of expenses is not made mandatory under Section 1 or Section 2 of Article VIII hereof, respectively.

PRIOR BY-LAWS

Section 7. Any by-law provisions which are amended, replaced or repealed by this Article VIII shall continue to apply to any breach of performance of duty or any failure of performance of duty by any director or officer to which this Article VIII, for any reason, does not apply.

ARTICLE IX

CERTIFICATES FOR SHARES

Section 1. (a) The shares of the corporation shall be represented by certificates signed by the Chairman of the Board, the president or a vice-president and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof.

(b) When the corporation is authorized to issue shares of more than one class there shall be set forth upon the face or back of the certificate, or the certificate shall have a statement that the corporation will furnish to any shareholder upon request and without charge, a full statement of the designations, preferences, limitations and relative rights of the shares of each class authorized to be issued and, if the corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the board of directors to fix and determine the relative rights and preferences of subsequent series.

Section 2. The signatures of the officers of the corporation upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or an employee of the corporation. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the board of directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such bonds or indemnities as it deems adequate, to protect the corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost or destroyed.

TRANSFER OF SHARES

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto, and the old certificate cancelled and the transaction recorded upon the books of the corporation.

RECORD DATES FOR DETERMINING SHAREHOLDERS

Section 5. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof or entitled to receive payment of any dividend or allotment of any right, or in order to make a determination of shareholders for any other proper purpose, the board shall choose in advance a date as the record date for such determination of shareholders. Any such record date shall in any case be not more than sixty days nor less than ten days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed, the record date for a shareholders' meeting shall be the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day next preceding the day on which the meeting is held; and the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the board relating thereto is adopted. When a determination of shareholders' meeting has been made as provided in this section, such determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

REGISTERED SHAREHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote such as owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of New Jersey.

LIST OF SHAREHOLDERS

Section 7. The officer or agent having charge of the transfer books for shares shall make and certify a complete list of the shareholders entitled to vote at a shareholders' meeting, or adjournment thereof, arranged in alphabetical order within each class, series, or group of shareholders maintained by the corporation for convenience of reference, with the address of and the number of shares held by each shareholder, which list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. Such list shall be prima facie evidence as to who are the shareholders entitled to examine such list or to vote at any meeting of the shareholders.

ARTICLE X

DIVIDENDS

Section 1. Subject to the provisions of the certificate of incorporation relating thereto, if any, dividends may be declared by the board of directors at any regular or special meeting pursuant to law. Dividends may be paid in cash, in its bonds, in its own shares or other property including the shares or bonds of other corporations subject to any provisions of law and of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

Section 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 4. The fiscal year of the corporation shall be a 52/53 week year ending on the last Saturday of September in each year, unless otherwise fixed by resolution of the board of directors.

SEAL

Section 5. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, New Jersey." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

ARTICLE XI

AMENDMENTS

Section 1. These bylaws may be altered, amended or repealed or new bylaws be adopted by the affirmative vote of a majority of the votes entitled to be cast by the board of directors at any regular or special meeting of the board, subject to any provision in the certificate of incorporation reserving to the shareholders the power to adopt, amend, or repeal bylaws, but bylaws made by the board may be altered or repealed and new bylaws made by the shareholders. Any amendment to the bylaws of the corporation which is proposed by shareholders, and which has not previously received the approval of the board of directors, shall require for adoption the affirmative vote of the holders of at least 80% of the votes which all shareholders are entitled to cast thereon, in addition to any other approval which is required by law, the certificate of incorporation, these bylaws or otherwise. The shareholders may prescribe that any bylaw made by them shall not be altered or repealed by the board.

**AMENDED & RESTATED
LOAN AGREEMENT**

BY AND AMONG

J & J SNACK FOODS CORP.,

THE SUBSIDIARIES OF J & J SNACK FOODS CORP. SIGNATORY HERETO

THE BANKS SIGNATORY HERETO

AND

**CITIZENS BANK OF PENNSYLVANIA
AS AGENT FOR SUCH BANKS**

DECEMBER 1, 2006

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LOAN AGREEMENT

AGREEMENT, made this 1st day of December, 2006, by and among:

J & J SNACK FOODS CORP., a New Jersey corporation;

The Subsidiary Borrowers of Parent that have executed the signature pages hereto; and

The several banks and other financial institutions as are, or may from time to time become, parties to this Agreement (each a "**Bank**" and, collectively the "**Banks**"); and

CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state-chartered bank, as the sole administrative agent and arranger for the Banks.

BACKGROUND

WHEREAS, the Borrowers, the Agent, and the Existing Banks are presently parties to a certain Loan Agreement dated December 4, 2001 (as the same has been amended and modified to the date hereof, the "**Original Loan Agreement**");

WHEREAS, pursuant to the terms and provisions of the Original Loan Agreement, the Existing Banks made available to the Borrowers a revolving line of credit in the aggregate amount of \$50,000,000.00 (the "**Original Revolving Credit Facility**");

WHEREAS, the Borrowers have requested that the Existing Banks and the Agent agree to amend and restate the Original Loan Agreement in its entirety to, among other things, (1) amend the Original Revolving Credit Facility to provide for a revolving credit facility having a maximum limit of \$50,000,000.00 (subject to increase, under certain circumstances, to up to \$100,000,000.00 and including a sublimit of \$35,000,000.00 under such revolving credit facility for the issuance of standby letters of credit), and (2) to extend the maturity date of the Original Revolving Credit Facility, as amended herein, to November 30, 2011; and

WHEREAS, the Borrowers, the Existing Banks, and the Agent are entering into this Agreement for the purpose of amending and restating in its entirety the Original Loan Agreement so that, following the date hereof, all of the loans heretofore extended by the Existing Banks to the Borrowers pursuant to the Original Loan Agreement, all of the letters of credit heretofore issued by the Existing Banks for the benefit of the Borrowers pursuant to the Original Loan Agreement, all loans hereafter extended by the Banks to the Borrowers hereunder, and all letters of credit hereafter issued by the Banks for the benefit of the Borrowers hereunder shall be governed by the terms and provisions of this Agreement and the other Loan Documents (as such term is defined hereinafter).

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
Definitions

As used in this Agreement, terms defined in the recitals hereto shall have the meanings therein defined and the following terms shall have the following meanings:

ABR Loans: Loans that bear interest at a rate based upon the Alternate Base Rate.

Acquisition: any acquisition by any Borrower of all or a substantial portion of the Capital Stock, assets and/or properties of another Person, pursuant to and in accordance with the terms of an Acquisition Agreement.

Acquisition Agreement: any agreement by and between a Borrower and another Person with respect to such Borrower's acquisition of all or a substantial portion of the assets and/or properties of such other Person and/or all or a substantial portion of the issued and outstanding Capital Stock of another Person owned by such other Person, including all exhibits, annexes and schedules thereto, and all amendments, modifications and supplements thereof.

Acquisition Cost: with respect to any otherwise Permitted Acquisition, the sum of (i) all cash consideration paid or agreed to be paid by the acquiror to make such Acquisition (inclusive of payments by such person of the seller's professional fees and expenses and other out-of-pocket expenses in connection therewith), plus (ii) the fair market value of all non-cash consideration paid by such acquiror in connection therewith, plus (iii) an amount equal to the principal or stated amount of all liabilities assumed or incurred by such acquiror in connection therewith, plus (iv) any optional or mandatory capital contributions made to such entity by such acquiror. The principal or stated amount of any liability assumed or incurred by an acquiror in connection with an Acquisition which is a contingent liability shall be an amount equal to the stated amount of such liability or, if the same is not stated, the maximum reasonably anticipated amount payable by such acquiror in respect thereof as determined by such acquiror in good faith.

Additional Costs: as defined in Section 2.22(b) hereof.

Affected Loans: as defined in Section 2.25 hereof.

Affected Type: as defined in Section 2.25 hereof.

Affiliate: as to any Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event: (i) any Person that owns directly or indirectly 5% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each controlling shareholder, director and officer of a Borrower shall be deemed to be an Affiliate of the Borrowers.

Affiliate Advances: as to any Borrower, all loans, advances and other distributions to and Investments in any officer, director, employee, Affiliate and/or Subsidiary of such Borrower, excluding salary, bonuses and benefits paid to employees of such Borrower in the ordinary course of such Borrower's business.

Agency Fee: as defined in Section 2.7(c) hereof.

Agent: Citizens Bank of Pennsylvania, in its capacity as the sole administrative agent and arranger for the Banks, together with its successors in such capacity.

Alternate Base Rate: the higher of (i) the Prime Rate and (ii) the Federal Funds Rate plus 0.50%.

Applicable Lending Office: with respect to each Bank, with respect to each type of Loan, the lending office as designated for such type of Loan below its name on the signature pages hereof or such other office of such Bank or of an affiliate of such Bank as such Bank may from time to time specify to the Agent and the Parent as the office at which its Loans of such type are to be made and maintained.

Applicable Margin: with respect to the unpaid principal balance of ABR Loans and LIBOR Loans, the face amount of all outstanding Letters of Credit and the calculation of the Commitment Fee, in each case at all times during which the applicable Pricing Level set forth below is in effect, the percentage set forth below next to such Pricing Level and under the applicable column:

Pricing Level	Applicable Margin for ABR Loans	Applicable Margin for LIBOR Loans	Applicable Margin for Letters of Credit	Applicable Margin for Commitment Fee
Pricing Level I	0.125	0.350	0.350	0.200
Pricing Level II	0.125	0.500	0.500	0.200
Pricing Level III	0.125	0.750	0.750	0.250
Pricing Level IV	0.250	0.875	0.875	0.250

In each case, the determination of the Applicable Margin pursuant to the table set forth above shall be made on a quarterly basis based on an examination of the financial statements of the Borrowers delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof, which financial statements, whether annual or quarterly, shall be (A) audited in the case of financial statements furnished pursuant to Section 5.1 and (B) certified by the chief financial officer of Parent in the case of financial statements furnished pursuant to Section 5.2 and shall indicate that there exists no Default or Event of Default hereunder. Each determination of the Applicable Margin shall be effective ten days following the date on which the financial statements on which such determination was based were received by the Agent. In the event that financial statements for the four full fiscal quarters most recently completed prior to such date of determination either: (i) have not been delivered to the Agent in compliance with Section 5.1 or 5.2 hereof, or (ii) if delivered, do not comply in form or substance with Section 5.1 or 5.2 hereof (in the sole judgment of the Agent), then the Agent may determine, in its reasonable judgment, the ratio referred to above that would have been in effect as at such date, and, consequently, the Applicable Margin in effect for the period commencing on such date.

Assignment and Acceptance: an agreement in the form of Exhibit B hereto.

Bank and Banks: the banks and other financial institutions that have executed the signature pages hereto together with each bank and any other financial institution that becomes a Bank pursuant to the terms of this Agreement.

Borrower: Parent or any Subsidiary Borrower.

Borrowers: Parent and the Subsidiary Borrowers collectively.

Borrowing Notice: as defined in Section 2.2 hereof.

Business Day: any day other than Saturday, Sunday or any other day on which commercial banks in Pennsylvania are authorized or required to close under the laws of the Commonwealth of Pennsylvania.

Capital Expenditures: for any period, the aggregate amount of all payments made during such period by any Borrower directly or indirectly for the purpose of acquiring, constructing or maintaining fixed assets, real property or equipment that, in accordance with GAAP, would be added as a debit to the fixed asset account of such Borrower, including, without limitation, all amounts paid or payable during such period with respect to Capitalized Lease Obligations and interest that are required to be capitalized in accordance with GAAP.

Capitalized Lease: any lease, the obligations to pay rent or other amounts under which, constitute Capitalized Lease Obligations.

Capitalized Lease Obligations: as to any Borrower, the obligations of such Borrower to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Borrower under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

Capital Stock: as to any Borrower or other Person, all shares, interests, partnership interests, limited liability company interests, participations, rights in or other equivalents (however designated) of such Borrower's or such other Person's equity (however designated) and any rights, warrants or options exchangeable for or convertible into such shares, interests, participations, rights or other equity.

Cash: as to any Borrower, such Borrower's cash and cash equivalents, as defined in accordance with GAAP.

CERCLA: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, et seq.

Code: the Internal Revenue Code of 1986, as it may be amended from time to time.

Commitment: as to each Bank, the amount set forth opposite such Bank's name on the signature pages hereof under the caption "Commitment" as such amount is subject to increase or reduction in accordance with the terms hereof.

Commitment Fee: as defined in Section 2.7(a) hereof.

Commitment Termination Date: November 30, 2011, subject to earlier termination as provided in this Agreement.

Compliance Certificate: a certificate executed by the president and chief financial or accounting officer of Parent to the effect that: (i) as of the effective date of the certificate, no Default or Event of Default under this Agreement exists or would exist after giving effect to the action intended to be taken by the Borrowers as described in such certificate, including, without limitation, that the covenants set forth in Section 6.9 hereof would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form satisfactory to the Agent, of such compliance, and (ii) the representations and warranties contained in Article 3 hereof are true and with the same effect as though such representations and warranties were made on the date of such certificate, except for changes in the ordinary course of business none of which, either singly or in the aggregate, have had a Material Adverse Effect.

Controlled Group: all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrowers, are treated as a single employer under Section 414(b), 414(c) or 414(m) of the Code and Section 4001 (a)(2) of ERISA.

Credit Period: the period commencing on the date of this Agreement and ending on the Commitment Termination Date.

Debt Instrument: as defined in Section 8.4(a) hereof.

Default: an event which with notice or lapse of time, or both, would constitute an Event of Default.

Defined Contribution Plan: a plan which is not covered by Title IV of ERISA or subject to the minimum funding standards of Section 412 of the Code and which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.

Disposal: the discharge, deposit, injection, dumping, spilling, leaking or placing of any hazardous materials into or on any land or water so that such hazardous materials or constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

Dollars and \$: lawful money of the United States of America.

Domestic Subsidiary: each direct and indirect Subsidiary of Parent organized under the laws of the United States of America or a state thereof.

Drawing Date: as defined in Section 2.15(c) hereof.

EBIT: the sum of the net income of Parent and its Subsidiaries on a consolidated basis (as determined in accordance with GAAP), plus, to the extent subtracted in determining such net income, the provision for income tax expense and the Interest Expense.

EBITDA: with respect to Parent and its Subsidiaries on a consolidated basis for any period, the sum of (i) net income (as determined in accordance with GAAP), (ii) Interest Expense, (iii) depreciation and amortization, and (iv) Federal, state and local income taxes, in each case of the Borrower and its Subsidiaries on a consolidated basis for such period, computed in accordance with GAAP.

Eligible Assignee: a commercial bank or other financial institution organized under the laws of the United States of America or any state and having a combined capital and surplus of at least \$500,000,000.

Employee Benefit Plan: any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of any Loan Party or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained for employees of any Loan Party or any current or former ERISA Affiliate.

Employee Welfare Benefit Plan: any employee benefit plan within the meaning of Section 3(l) of ERISA.

Environmental Laws and Regulations: all federal, state and local environmental, health and safety laws, regulations, ordinances, orders, judgments and decrees applicable to any Borrower or any other Loan Party, or any of their respective assets or properties.

Environmental Liability: any liability under any applicable Environmental Laws and Regulations for any disposal, release or threatened release of a Hazardous Substance pollutant or contaminant as those terms are defined under CERCLA, and any liability which would require a removal, remedial or response action, as those terms are defined under CERCLA, by any Person or any environmental regulatory body having jurisdiction over any Borrower or any other Loan Party and/or any liability arising under any Environmental Laws and Regulations for any Borrower's or any other Loan Party's failure to comply with such laws and regulations, including without limitation, the failure to comply with or obtain any applicable environmental permit.

Environmental Proceeding: any judgment, action, proceeding or investigation pending before any court or governmental authority, with respect to any Borrower or any other Loan Party and arising under or relating to any Environmental Laws and Regulations.

ERISA: the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations promulgated thereunder.

ERISA Affiliate: with respect to any Loan Party, any corporation, person or trade or business which is a member of a group which is under common control with any Loan Party, who together with any Loan Party, is treated as a single employer within the meaning of Sections 414(b) - (o) of the Code and, if applicable, Sections 4001(a)(14) and (b) of ERISA.

Event of Default: as defined in Article 8 hereof.

Existing Banks: Citizens Bank of Pennsylvania and Wachovia Bank, National Association.

Facility Usage: shall mean at any time the sum of the Loans outstanding and Letter of Credit Outstandings.

Federal Funds Rate: for any day, the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers as published by the Federal Reserve Bank of New York for such day, or if such day is not a Business Day, for the next preceding Business Day (or, if such rate is not so published for any such day, the average rate charged to the Agent on such day on such transactions as reasonably determined by the Agent).

Fee and Fees: as defined in Section 2.7(d) hereof.

Financial Statements: with respect to Parent, its consolidated: (i) audited Balance Sheet as at September 30, 2005, together with the related audited Income Statement and Statement of Changes in Financial Position Cash Flow for the fiscal year then ended, and (ii) unaudited Balance Sheet as at June 30, 2006, together with the related unaudited Income Statement and Statement of Changes in Financial Position Cash Flow for the nine-month period then ended; provided that to the extent such financial statements are not the most recent financial statements furnished by the Borrowers pursuant to Section 5.1 or 5.2 of this Agreement, “Financial Statements” shall mean the most recent of the applicable consolidated and/or consolidating financial statements furnished by the Borrowers pursuant to such Section 5.1 or 5.2.

Fixed Base Rate: with respect to any LIBOR Loan for any Interest Period therefor, LIBOR, as reasonably determined by the Agent.

Fixed Charge Coverage Ratio: as at any time of determination, the ratio of the following for the most recently completed four fiscal quarters of Parent: (i) EBIT to (ii) Interest Expense, each with respect to such most recently completed four fiscal quarters of Parent.

Fixed Rate: for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to (i) the Fixed Base Rate for such Loan for such Interest Period; divided by (ii) 1.00 minus the Reserve Requirement, if any, for such Loan for such Interest Period. The Agent shall use its best efforts to advise Parent of the Fixed Rate as soon as practicable after each change in the Fixed Rate; provided however, that the failure of the Agent to so advise Parent on any one or more occasions shall not affect the rights of the Banks or the Agent or the obligations of the Borrowers hereunder.

Fixed Rate Election: as defined in Section 2.26 hereof.

Foreign Subsidiary: each direct and indirect Subsidiary of Parent that is not a Domestic Subsidiary.

Frontage Fee: as defined in Section 2.7(c) hereof.

GAAP: generally accepted accounting principles, consistently applied.

Governmental Acts: as defined in Section 2.15(k) hereof.

Hazardous Materials: any toxic chemical, Hazardous Substances, contaminants or pollutants, medical wastes, infectious wastes, or hazardous wastes.

Hazardous Substance: as set forth in Section 101(14) of CERCLA or comparable provisions of state or local law.

Hazardous Waste: as set forth in the Resource Conservation and Recovery Act, 42 U.S.C. §9603(5), and the Environmental Protection Agency's implementing regulations, or state or local law.

Indebtedness: with respect to any Borrower, all: (i) liabilities or obligations, direct and contingent, which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Borrower at the date as of which Indebtedness is to be determined, including, without limitation, contingent liabilities that in accordance with such principles, would be set forth in a specific Dollar amount on the liability side of such balance sheet, and Capitalized Lease Obligations of such Borrower; (ii) liabilities or obligations of others for which such Borrower is directly or indirectly liable, by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, agreement to purchase or advance or keep in funds or other agreement having the effect of a guaranty) or otherwise; (iii) liabilities or obligations secured by Liens on any assets of such Borrower, whether or not such liabilities or obligations shall have been assumed by it; and (iv) liabilities or obligations of such Borrower, direct or contingent, with respect to letters of credit issued for the account of such Borrower and bankers acceptances created for such Borrower.

Insolvency Proceeding: with respect to any Person, (a) any case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of such Person or otherwise relating to liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

Interest Expense: with respect to Parent and its Subsidiaries for the applicable period of determination thereof, the interest expense of Parent and its Subsidiaries during such period determined on a consolidated basis in accordance with GAAP.

Interest Period: with respect to any LIBOR Loan, each period commencing on the date such Loan is made or converted from a Loan or Loans of another type, or the last day of the next preceding Interest Period with respect to such Loan, and ending on the same day in the first, second, third or sixth calendar month thereafter, as the Borrowers may select as provided in Section 2.2 hereof, except that each such Interest Period that commences on the last LIBOR Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last LIBOR Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) each Interest Period that would otherwise end on a day that is not a LIBOR Business Day shall end on the next succeeding LIBOR Business Day or, if such next succeeding LIBOR Business Day falls in the next succeeding calendar month, on the next preceding LIBOR Business Day); (ii) no more than seven Interest Periods shall be in effect at the same time; (iii) notwithstanding clause (iv) below, any Interest Period for any type of Loan that commences before the Commitment Termination Date shall end no later than the Commitment Termination Date; and (iv) no Interest Period shall have a duration of less than one month. In the event that the Borrowers fail to select the duration of any Interest Period for any Loan within the time period and otherwise as provided in Section 2.2 hereof, such Loan will be automatically converted into an ABR Loan on the last day of the preceding Interest Period for such Loan.

Interest Rate Contracts: interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate insurance and other agreements or arrangements designed to provide protection against fluctuation in interest rates, in each case, in form and substance satisfactory to the Agent and, in each case, with counter-parties satisfactory to the Agent.

Investment: by any Borrower:

(a) the amount paid or committed to be paid, or the value of property or services contributed or committed to be contributed, by such Borrower for or in connection with the acquisition by such Borrower of any stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person; and

(b) the amount of any advance, loan or extension of credit by such Borrower, to any other Person, or guaranty or other similar obligation of such Borrower with respect to any Indebtedness of such other Person, and (without duplication) any amount committed to be advanced, loaned, or extended by such Borrower to any other Person, or any amount the payment of which is committed to be assured by a guaranty or similar obligation by such Borrower for the benefit of, such other Person.

IRS: Internal Revenue Service.

Joinder: an agreement in the form of Exhibit C hereto.

Latest Balance Sheet: as defined in Section 3.9(a) hereof.

Law: any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body.

Leases: leases and subleases (other than Capitalized Leases), licenses for the use of real property, easements, grants, and other attachment rights and similar instruments under which a Borrower has the right to use real or personal property or rights of way.

Letter of Credit: as defined in Section 2.15 hereof.

Letter of Credit Borrowing: an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made and shall not have been converted into an ABR Loan under Section 2.15(c).

Letter of Credit Fee: as defined in Section 2.7(c) hereof.

Letter of Credit Outstandings: at any time the sum of (i) the aggregate undrawn face amount of all then outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and then outstanding Reimbursement Obligations.

Leverage Ratio: the ratio of (i) the Borrowers' Total Funded Debt as at the time of determination, to (ii) the Borrowers' EBITDA with respect to the most recently completed four fiscal quarters of Parent, each measured on a consolidated basis.

LIBOR: shall mean for any day during each Interest Period the per annum rate of interest (computed on a basis of a year of 360 days and actual days elapsed) estimated in good faith by the Agent in accordance with its usual procedures (which determination shall be conclusive) to be the average of the rate per annum for deposits, in an amount of U.S. Dollars comparable to the amount of principal relating to such Interest Period and having maturities comparable to such Interest Period, offered to major money center banks in the London interbank market at or about 11:00 a.m., London time, two (2) London business days prior to such Interest Period.

LIBOR Business Day: a Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

LIBOR Loans: all Loans the interest on which is calculated on the basis of the rate referred to in the definition of Fixed Base Rate.

Lien: any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature of any of the foregoing, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

Loan and Loans: as defined in Section 2.1 hereof and including, without limitation, all ABR Loans made by the Banks pursuant to Section 2.15(c) hereof and all Letter of Credit Borrowings made pursuant to Section 2.15(e) hereof. Loans of different types made or converted from Loans of other types on the same day (or of the same type but having different Interest Periods) shall be deemed to be separate Loans for all purposes of this Agreement.

Loan Documents: this Agreement, the Notes and all other documents executed and delivered in connection herewith or therewith, including all amendments, modifications and supplements of or to all such documents.

Loan Party: each Borrower, any Domestic Subsidiary of a Borrower that has not yet become a Borrower pursuant to Section 7.13 hereof, and any other Person (other than the Banks and the Agent) which now or hereafter executes and delivers to any Bank or the Agent any Loan Document.

Material Adverse Effect: a material adverse effect on: (i) the business, condition (financial or otherwise), assets, liabilities or operations of the Borrowers taken as a whole; (ii) the ability of the Borrowers (taken as a whole) to perform their obligations under any Loan Document to which the Borrowers are a party; or (iii) the validity or enforceability of this Agreement or the other Loan Documents or the rights or remedies of the Banks and/or the Agent hereunder or thereunder.

Multiemployer Plan: a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which any Loan Party or any ERISA Affiliate is making, or is accruing an obligation to make, contributions or has made, or been obligated to make, contributions within the preceding six (6) years.

New Type Loans: as defined in Section 2.25 hereof.

Non-Material Office: an office maintained by a Subsidiary of Parent that is utilized primarily as a sales office.

Note and **Notes:** as defined in Section 2.4 hereof.

Obligations: collectively, all of the Indebtedness, liabilities and obligations of the Borrowers to the Banks and the Agent, whether now existing or hereafter arising, whether or not currently contemplated, including, without limitation, those arising under the Loan Documents.

Official Body: any national, federal, state, local or other government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

Parent: J & J Snack Foods Corp., a New Jersey corporation.

Participation Advance: with respect to any Bank, such Bank’s payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.15(e) hereof.

Payor: as defined in Section 2.19 hereof

PBGC: Pension Benefit Guaranty Corporation.

Pension Plan: at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is maintained either: (i) by a Borrower or any ERISA Affiliate for employees of such Borrower, or by such Borrower for any ERISA Affiliate, or (ii) pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which such Borrower or any ERISA Affiliate is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions.

Permitted Acquisition: an Acquisition that satisfies each of the following conditions: (i) the entire business or assets acquired or business of the entity whose Capital Stock is acquired shall be substantially similar to a Borrower's line of business as conducted on the date hereof; (ii) at the time of such Acquisition no Default or Event of Default exists and no Default or Event of Default would occur after giving effect to such Acquisition; (iii) the Acquisition shall have the approval of the target company's board of directors (or similar governing body); (iv) the applicable Borrower shall have complied with any applicable state takeover law and any applicable super majority charter provisions; (v) all governmental and third-party consents and approvals necessary in connection with each aspect of the Acquisition shall have been obtained (without the imposition of any unreasonable conditions) and shall remain in effect, except where the failure to obtain same could not reasonably be expected to have a Material Adverse Effect, all applicable waiting periods shall have expired or been terminated or waived without any material adverse action being taken by any authority having jurisdiction; and no law or regulation shall be applicable that restrains, prevents or imposes material adverse conditions upon any aspect of the Acquisition; and (vi) the Borrowers shall have delivered to the Agent, not less than ten days prior to the consummation of such Acquisition, a certificate of a financial officer of the Borrower, in all respects reasonably satisfactory to the Agent and dated the date of such consummation, attaching a pro-forma compliance certificate (in a format satisfactory to the Bank) evidencing compliance with Section 6.9 of this Agreement (except that, for purposes of Section 6.9(c), the pro forma Leverage Ratio after giving effect to the Acquisition shall not exceed 2.0 to 1.0) after giving effect to such Acquisition and based on the most recent financial statements delivered to the Bank pursuant to this Agreement; provided, that, as to such financial covenants (and any other financial covenants now or hereafter applying to the facilities described in this Agreement), all of such covenants shall be deemed amended to require compliance as to the Borrowers with the entity acquired in the Acquisition.

Permitted Liens: as to any Borrower: (i) pledges or deposits by such Borrower under workers' compensation laws, unemployment insurance laws, social security laws, or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of such Borrower), or leases to which such Borrower is a party, or deposits to secure public or statutory obligations of such Borrower or deposits of Cash or United States Government Bonds to secure surety, appeal, performance or other similar bonds to which such Borrower is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (ii) Liens imposed by law, such as carriers', warehousemen's, materialmen's and mechanics' liens, or Liens arising out of judgments or awards against such Borrower with respect to which such Borrower at the time shall currently be prosecuting an appeal or proceedings for review; (iii) Liens for taxes not yet subject to penalties for non-payment and Liens for taxes the payment of which is being contested as permitted by Section 6.6 hereof; (iv) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of, others for rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties; and (v) Liens incidental to the conduct of the business of such Borrower or to the ownership of such Borrower's property that were not incurred in connection with Indebtedness of such Borrower, all of which Liens referred to in the preceding clause (v) do not in the aggregate materially detract from the value of the properties to which they relate or materially impair their use in the operation of the business taken as a whole of such Borrower, and as to all the foregoing only to the extent arising and continuing in the ordinary course of business.

Person: an individual, a corporation, a limited liability company, a partnership, a joint venture, a trust or unincorporated organization, a joint stock company or other similar organization, a government or any political subdivision thereof, a court, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

Plan: at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either: (i) maintained by a Borrower or any member of the Controlled Group for employees of a Borrower, or by a Borrower for any other member of such Controlled Group, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a Borrower or any member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

Post-Default Rate: (i) in respect of any Loans a rate per annum equal to: (x) if such Loans are ABR Loans, 2% above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for ABR Loans (but in no event less than the interest rate in effect on the due date), or (y) if such Loans are LIBOR Loans, 2% above the rate of interest in effect thereon at the time of the Event of Default that resulted in the Post-Default Rate being instituted until the end of the then current Interest Period therefor and, thereafter, 2% above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for ABR Loans (but in no event less than the interest rate in effect on the due date); and (ii) in respect of other amounts payable by the Borrowers hereunder (other than interest) not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such other amounts are paid in full equal to 2% above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for ABR Loans (but in no event less than the interest rate in effect on the due date).

Pricing Level: Pricing Level I, Pricing Level II, Pricing Level III, or Pricing Level IV, as applicable.

Pricing Level I: the applicable Pricing Level at any time when the Leverage Ratio is less than or equal to 0.75 to 1.00.

Pricing Level II: the applicable Pricing Level at any time when the Leverage Ratio is greater than 0.75 to 1.00 but less than or equal to 1.25 to 1.00.

Pricing Level III: the applicable Pricing Level at any time when the Leverage Ratio is greater than 1.25 to 1.00 but less than or equal to 1.75 to 1.00.

Pricing Level IV: the applicable Pricing Level at any time when the Leverage Ratio is greater than 1.75 to 1.00 but less than or equal to 2.25 to 1.00.

Primary Subsidiary Borrowers: the Subsidiary Borrowers listed on Schedule 3.1 hereto as “Primary Subsidiary Borrowers”.

Prime Rate: the variable per annum rate of interest, calculated on the basis of a 360 day basis but charged on the actual number of days elapsed, equal to the rate of interest announced from time to time by Agent as its prime rate of interest at the Principal Office. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged by Agent to any borrower. Each Borrower acknowledges that Agent may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the preceding sentence. Each change in any interest rate provided for herein based upon the Prime Rate resulting from a change in the Prime Rate shall take effect as of the effective date of such change in the Prime Rate.

Principal Office: the principal office of Agent presently located at Citizens Gateway Center, 3025 Chemical Road, Suite 300, Plymouth Meeting, Pennsylvania 19462-1739.

Projections: consolidated projections of Parent and its subsidiaries (in a format reasonably satisfactory to the Agent) prepared on the basis of the assumptions accompanying them and reflect as of the date thereof Parent’s good faith projections, after reasonable analysis, of the matters set forth therein, based on such assumptions.

Purchase Money Security Interest: as defined in Section 7.2(b) hereof.

Quarterly Dates: the first day of each January, April, July and October, the first of which shall be the first such day after the date of this Agreement, provided that, if any such date is not a LIBOR Business Day, the relevant Quarterly Date shall be the next succeeding LIBOR Business Day (or, if the next succeeding LIBOR Business Day falls in the next succeeding calendar month, then on the next preceding LIBOR Business Day).

Ratable Share: the proportion that a Bank’s Commitment bears to the Commitments of all of the Banks.

Regulation D: Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

Regulatory Change: as to any Bank, any change after the date of this Agreement in United States federal, state or foreign laws or regulations (including Regulation D and the laws or regulations that designate any assessment rate relating to certificates of deposit or otherwise (including the “Assessment Rate” if applicable to any Loan)) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including such Bank, of or under any United States federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

Reimbursement Obligation: as defined in Section 2.15(c) hereof.

Release: as set forth in Section 101(22) of CERCLA or state or local law.

Required Banks: at any time while no Loans are outstanding hereunder, Banks having at least 51% of the aggregate amount of the Commitments and, at any time while Loans are outstanding hereunder, Banks holding at least 51% of the outstanding aggregate principal amount of the Loans hereunder.

Required Payment: as defined in Section 2.19 hereof.

Reserve Requirement: for any LIBOR Loans for any quarterly period (or, as the case may be, shorter period) as to which interest is payable hereunder, the rate (rounded upward to the nearest 1/100 of 1%), as determined in good faith by the Agent (which determination shall be conclusive), as representing for such period the maximum effective percentage (or if more than one such percentage shall be applicable for such period, the daily average of such percentages for those days in such period during which any such percentage shall be so applicable) as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation supplemental, marginal and emergency reserve requirements) for the Banks with respect to liabilities or assets consisting of or including “Eurocurrency Liabilities” (as such term is defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such depository institutions by reason of any Regulatory Change against: (i) any category of liabilities that includes deposits by references to which the Fixed Base Rate for LIBOR Loans is to be determined as provided in the definition of “Fixed Base Rate” in this Article 1, or (ii) any category of extensions of credit or other assets that include LIBOR Loans.

Standby Letter of Credit: a Letter of Credit issued to support obligations of one or more of the Borrowers, contingent or otherwise, which finance the working capital and business needs of such Borrower(s) incurred in the ordinary course of business.

Subordinated Debt: unsecured Indebtedness for money borrowed in an amount satisfactory to the Required Banks which does not permit any payment or prepayment of the principal amount thereof or any interest accrued thereon prior to the payment in full of the Obligations and that is subordinated to such prior payment and is otherwise subordinated thereto under terms satisfactory in form and substance to the Required Banks, as evidenced by the Agent's written consent thereto given prior to the creation of such Indebtedness.

Subsidiary: with respect to any Person, any corporation, partnership or joint venture whether now existing or hereafter organized or acquired: (i) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person, or (ii) in the case of a partnership or joint venture in which such Person is a general partner or joint venturer or of which a majority of the partnership or other ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise requires, references in this Agreement to "Subsidiary" or "Subsidiaries" shall be deemed to be references to a direct or indirect Subsidiary or Subsidiaries of Parent.

Subsidiary Borrower and **Subsidiary Borrowers:** the Domestic Subsidiaries that have executed the signature pages hereto together with each Domestic Subsidiary that becomes a Borrower pursuant to the terms of this Agreement.

Tangible Net Worth: the sum of capital surplus, earned surplus, Subordinated Debt and capital stock, minus deferred charges, intangibles, Affiliate Advances and treasury stock, all as determined in accordance with GAAP.

Termination Event: any one of the following:

- (a) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder;
- (b) the withdrawal of any Loan Party or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA; or
- (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA;
- (d) the institution of proceedings to terminate a Pension Plan by the PBGC;
- (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan;
- (f) the partial or complete withdrawal of any Loan Party or any ERISA Affiliate from a Multiemployer Plan;

(g) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA;

(h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Section 4241 or Section 4245 of ERISA, respectively; or

(i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by the PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

Total Commitment: the aggregate obligation of the Banks to make Loans hereunder not exceeding Fifty Million and 00/100 (\$50,000,000.00) Dollars, as the same shall and/or may be increased or reduced pursuant to Sections 2.1, 2.2 and 2.8 hereof.

Total Funded Debt: at any date of determination, the aggregate funded Indebtedness (as determined in accordance with GAAP) and Capitalized Lease Obligations of Parent and its Subsidiaries on a consolidated basis (as determined in accordance with GAAP), on such date.

Unused Commitment: as at any date, for each Bank, the difference, if any, between: (i) the amount of such Bank's Commitment as in effect on such date, and (ii) the sum of (A) the then aggregate outstanding principal amount of all Loans made by such Bank and (B) such Bank's Ratable Share of all Letter of Credit Outstandings.

Any accounting terms used in this Agreement that are not specifically defined herein shall have the meanings customarily given to them in accordance with GAAP as in effect on the date of this Agreement, except that references in Article 5 to such principles shall be deemed to refer to such principles as in effect on the date of the financial statements delivered pursuant thereto.

ARTICLE 2

Commitments; Loans

Section 2.1 Loans.

Each Bank hereby severally agrees, on the terms and subject to the conditions of this Agreement, to make loans (individually a "**Loan**" and, collectively, the "**Loans**") to the Borrowers during the Credit Period to and including the Commitment Termination Date in an aggregate principal amount at any one time outstanding up to, but not exceeding, the Commitment of such Bank as then in effect less such Bank's Ratable Share of Letter of Credit Outstandings. Subject to the terms of this Agreement, during the Credit Period the Borrowers may borrow, repay (provided that repayment of LIBOR Loans shall be subject to the provisions of Section 2.26 hereof and the term of any such LIBOR Loan shall be one, two, three or six months) and reborrow up to the amount of the Total Commitment (after giving effect to the voluntary increases, and/or the mandatory and voluntary reductions, required and permitted herein) by means of ABR Loans or LIBOR Loans, and during such period and thereafter until the date of the payment in full of all of the Loans, the Borrowers may convert Loans of one type into Loans of another type (as provided in Section 2.21 hereof).

Section 2.2 Notices Relating to Loans.

A Borrower shall give the Agent written notice of each increase, termination or reduction of the Commitments, each borrowing, conversion and prepayment of each Loan, and of the duration of each Interest Period applicable to each LIBOR Loan (in each case, a **“Borrowing Notice”**). Each such written notice shall be irrevocable and shall be effective only if received by the Agent not later than 11 a.m., New Jersey time, on the date that is:

(a) In the case of each notice of increase of the Commitments, thirty days prior to the date of the related increase, and in the case of each notice of termination or reduction of the Commitments, three Business Days prior to the date of the related termination or reduction.

(b) In the case of each notice of borrowing or prepayment of, or conversion into, ABR Loans, one Business Day prior to the date of the related borrowing, prepayment or conversion; and

(c) In the case of each notice of borrowing or prepayment of, or conversion into, LIBOR Loans, or the duration of an Interest Period for LIBOR Loans, two LIBOR Business Days prior to the date of the related borrowing, prepayment, or conversion or the first day of such Interest Period.

Each such notice of increase, termination or reduction of the Commitments shall specify the amount thereof. Each such notice of borrowing, conversion or prepayment shall specify the amount (subject to Section 2.1 hereof) and type of Loans to be borrowed, converted or prepaid (and, in the case of a conversion, the type of Loans to result from such conversion), the date of borrowing, conversion or prepayment (which shall be: (x) a Business Day in the case of each borrowing or prepayment of ABR Loans, and (y) a LIBOR Business Day in the case of each borrowing or prepayment of LIBOR Loans and each conversion of or into a LIBOR Loan). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall notify the Banks of the content of each such Borrowing Notice promptly after its receipt thereof.

Section 2.3 Disbursement of Loan Proceeds.

The Borrowers shall give the Agent notice of each borrowing hereunder as provided in Section 2.2 hereof. Not later than 11:00 a.m., Pennsylvania time, on the date specified for each borrowing hereunder, each Bank shall transfer to the Agent, by wire transfer or otherwise, but in any event in immediately available funds, the amount of the Loan to be made by it on such date, and the Agent, upon its receipt thereof, shall disburse such sum to the Borrowers by depositing the amount thereof in an account of any Borrower maintained with the Agent.

Section 2.4 Notes.

(a) The Loans made by each Existing Bank shall be evidenced by a single amended and restated promissory note of the Borrowers, payable on a joint and several basis, in substantially the form of Exhibit A-1 hereto and the Loans made by each Bank that is not an Existing Bank shall be evidenced by a single promissory note of the Borrowers, payable on a joint and several basis, in substantially the form of Exhibit A-2 hereto (each such Note, including all amendments, modifications, restatements and supplements of or to such Notes, a “**Note**” and collectively, the “**Notes**”). Each Note delivered to an Existing Bank shall be dated the date of the initial borrowing of the Loans under this Agreement, shall be payable to the order of such Existing Bank in a principal amount equal to such Existing Bank’s Commitment as originally in effect, and shall otherwise be duly completed. Each Note delivered to a Bank that is not an Existing Bank shall be dated the date on which such Bank becomes a party to this Agreement, shall be payable to the order of such Bank in a principal amount equal to such Bank’s Commitment as originally in effect, and shall otherwise be duly completed. The Notes shall be payable as provided in Sections 2.1 and 2.5 hereof.

(b) Each Bank shall enter on a schedule attached to its Note a notation with respect to each Loan made hereunder of (i) the date and principal amount thereof, (ii) each payment and prepayment of principal thereof, (iii) whether the interest rate is initially to be determined in accordance with subsection 2.6(a)(i) or 2.6(a)(ii) hereof, and (iv) the Interest Period, if applicable. The failure of any Bank to make a notation on the schedule to its Note as aforesaid shall not limit or otherwise affect the obligation of the Borrowers to repay the Loans in accordance with their respective terms as set forth herein.

Section 2.5 Payment Applications.

(a) The Loans: (i) shall be repaid as and when necessary to cause the aggregate principal amount of the Loans outstanding not to exceed each Bank’s Commitment, as increased or reduced pursuant to Section 2.8 hereof, and (ii) may be repaid at any time and from time to time, in whole or in part, without premium or penalty, upon prior written notice to the Agent as provided in Section 2.2 hereof, in integral multiples of \$500,000 and any amount so repaid may, subject to the terms and conditions hereof, including the borrowing limitation imposed by the Commitments, be reborrowed hereunder during the Credit Period; provided however, that: (A) LIBOR Loans repaid prior to the last day of an Interest Period for such Loans shall be subject to the payment of any yield maintenance fee required by Section 2.26 hereof, and (B) all repayments of Loans or any portion thereof shall be made together with payment of all interest accrued on the amount repaid through the date of such repayment.

(b) Except as set forth in Sections 2.22, 2.23 and 2.25 hereof, all payments and repayments made pursuant to the terms hereof shall be applied first to ABR Loans, and shall be applied to LIBOR Loans only to the extent any such payment exceeds the principal amount of ABR Loans outstanding at the time of such payment.

(c) The Borrower may request a LIBOR Loan only if same would not result in the Interest Period with respect to such LIBOR Loan extending beyond the Commitment Termination Date.

Section 2.6 Interest.

(a) The Borrowers shall pay to the Agent for the account of each Bank interest on the unpaid principal amount of each Loan made by such Bank for the period commencing on the date of such Loan until such Loan shall be paid in full, at the following rates per annum:

(i) During such periods that such Loan is an ABR Loan, the Alternate Base Rate plus the Applicable Margin; and

(ii) During such periods that such Loan is a LIBOR Loan, for each Interest Period relating thereto, the Fixed Rate for such Loan for such Interest Period plus the Applicable Margin for such Loan.

(b) Notwithstanding the foregoing, whenever an Event of Default has occurred and is continuing, the Borrowers shall pay interest on any Loan, and on any other amount payable by the Borrower hereunder (to the extent permitted by law) for the period commencing on the occurrence of such Event of Default until such Event of Default has been cured or waived as acknowledged in writing by the Agent at the applicable Post-Default Rate.

(c) Except as provided in the next sentence, accrued interest on each Loan shall be payable: (i) in the case of an ABR Loan, quarterly on each Quarterly Date commencing with the first such date occurring after the date of each such Loan, (ii) in the case of a LIBOR Loan, on the last day of each Interest Period for such Loan (and, if such Interest Period exceeds three months' duration, quarterly, commencing on the first quarterly anniversary of the first day of such Interest Period), and (iii) in the case of any Loan, upon the payment or prepayment thereof or the conversion thereof into a Loan of another type (but only on the principal so paid, prepaid or converted). Interest that is payable at the Post-Default Rate shall be payable from time to time on demand of the Agent. Promptly after the establishment of any interest rate provided for herein or any change therein, the Agent will notify the Banks and a Borrower thereof; provided, however, the failure of the Agent to so notify a Borrower or the Banks shall not affect the obligations of the Borrowers hereunder or under any of the Notes in any respect.

Section 2.7 Fees.

(a) The Borrowers shall, jointly and severally, pay to the Agent for the account of each Bank a commitment fee (the "**Commitment Fee**") on the daily average amount of such Bank's Unused Commitment, for the period from the date hereof to and including the earlier of the date such Bank's Commitment is terminated or the Commitment Termination Date, in an amount equal to the total Unused Commitment for such Bank multiplied by the Applicable Margin for the Commitment Fee in effect on the date on which such fee payment is due. The accrued Commitment Fee shall be payable quarterly on the Quarterly Dates and on the earlier of the date the Commitments are terminated or the Commitment Termination Date, and, in the event the Borrowers reduce the Commitment as provided in Section 2.8 hereof, on the effective date of such reduction.

(b) The Borrowers shall, jointly and severally, pay to the Agent an agency fee (the "**Agency Fee**") for services rendered by the Agent in its capacity as Agent hereunder in the amount and in the manner provided in that certain letter agreement between Parent and the Agent dated November 15, 2001 (as such letter agreement may be amended, modified, replaced or supplemented from time to time).

(c) The Borrowers shall, jointly and severally, pay (i) to the Agent for the ratable account of the Banks a fee (the **“Letter of Credit Fee”**) equal to the Applicable Margin for Letters of Credit as calculated under Section 4.1.1(ii), and (ii) to the Agent for its own account a fronting fee (the **“Frontage Fee”**) equal to 0.150% per annum, which fees shall be computed on the daily average Letters of Credit Outstanding based on a year of 360 days and shall be payable quarterly in arrears on the Quarterly Dates commencing with the first Quarterly Date following issuance of each Letter of Credit and on the Commitment Termination Date. The Borrowers shall also, jointly and severally, pay to the Agent for the Agent’s sole account the Agent’s then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Agent may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

(d) The Commitment Fee, the Agency Fee, the Frontage Fee and the Letter of Credit Fee are hereinafter sometimes referred to individually as a **“Fee”** and collectively as the **“Fees”**.

Section 2.8 Changes in Commitment

(a) The Borrowers shall be entitled to terminate or reduce the Commitments provided that Parent shall give notice of such termination or reduction to the Banks as provided in Section 2.2 hereof and that any partial reduction of the Commitments shall be in an aggregate amount equal to \$5,000,000 or an integral multiple of \$1,000,000 for amounts in excess thereof. Any such termination or reduction shall be permanent and irrevocable. Any reduction of the Total Commitment pursuant to this Section 2.8 shall reduce permanently, on a pro rata basis, the amount of each Bank’s Commitment then in effect, and (ii) shall be accompanied by a prepayment of the Loans outstanding and/or a termination and/or payment of the Letter of Credit Outstandings (as applicable) to the extent, if any, that the Facility Usage exceeds the amount of the Total Commitment as then reduced, together with payment in full of all accrued interest on the amount so prepaid to and including the dates of each such prepayment, and payment in full of any amounts payable pursuant to Section 2.26 in connection therewith, and the payment in full of any unpaid Fees then accrued hereunder. Any termination of the Total Commitment shall be accompanied by a prepayment in full of the Loans outstanding and a termination and/or payment in full of all Letter of Credit Outstandings (as applicable), together with payment in full of all accrued interest thereon to and including the date of prepayment, payment in full of any amounts payable pursuant to Section 2.26 in connection therewith, and payment in full of any unpaid Fees then accrued hereunder.

(b) The Borrowers shall have the right, at any time and from time to time (but not to exceed two (2) increases in the aggregate) prior to the Commitment Termination Date to increase the Total Commitment to an aggregate amount not to exceed \$100,000,000.00, provided that (i) the Parent provides to Agent thirty days prior written notice of the exercise of each such option, (ii) no Event of Default or Default has occurred and/or is continuing as of the date of such increase, (iii) the Borrowers shall have received commitments from one or more existing Banks and, if necessary, one or more new Banks for such increase (with any new Bank to be reasonably acceptable to the Agent and the Borrowers), and (iv) the Agent shall have received a satisfactory legal opinion of counsel to the Borrowers and such agreements, amendments, and other documentation executed by the Borrowers and the Banks as the Agent determines necessary in its sole discretion to effectuate such increase. Each Bank shall have the right, but not the obligation, to commit to provide its Ratable Share of any such proposed increase.

Section 2.9 Use of Proceeds of Loans.

The proceeds of the Loans hereunder may be used by the Borrowers to provide availability for general corporate purposes, including working capital, capital expenditures, Permitted Acquisitions, permitted stock repurchases, and permitted dividend payments.

Section 2.10 Computations.

Interest on all LIBOR Loans and each Fee shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last) occurring in the period for which payable. Interest on all ABR Loans shall be computed on the basis of a year of 365/366 days (as applicable) and actual days elapsed (including the first day but excluding the last) occurring in the period for which payable.

Section 2.11 Minimum Amounts of Borrowings, Conversions, Prepayments and Interest Periods.

Except for borrowings, conversions and prepayments that exhaust the full remaining amount of the Commitments (in the case of borrowings) or result in the conversion or prepayment of all Loans of a particular type (in the case of conversions or prepayments) or conversions made pursuant to Section 2.21, Section 2.22(b) or Section 2.24 hereof, each borrowing from each Bank, each conversion of Loans of one type into Loans of another type and each prepayment of principal of Loans hereunder shall be in an amount at least equal to \$100,000 in the case of ABR Loans or in integral multiples of \$100,000 for amounts in excess thereof and \$500,000 in the case of LIBOR Loans or in integral multiples of \$100,000 for amounts in excess thereof (borrowings, conversions and prepayments of different types of Loans at the same time hereunder to be deemed separate borrowings, conversions and prepayments for purposes of the foregoing, one for each type).

Section 2.12 Time and Method of Payments.

All payments of principal, interest, Fees and other amounts (including indemnities) payable by the Borrowers hereunder shall be made in Dollars, in immediately available funds, to the Agent at the Principal Office not later than 11:00 a.m., New Jersey time, on the date on which such payment shall become due (and the Agent or any Bank for whose account any such payment is to be made may, but shall not be obligated to, debit the amount of any such payment that is not made by such time to any ordinary deposit account of any Borrower with the Agent or such Bank, as the case may be). Additional provisions relating to payments are set forth in Section 10.3 hereof. Each payment received by the Agent hereunder for the account of a Bank shall be paid promptly to such Bank, in like funds, for the account of such Bank's Applicable Lending Office for the Loan in respect of which such payment is made.

Section 2.13 Applicable Lending Offices.

The Loans of each type made by each Bank shall be made and maintained at such Bank's Applicable Lending Office for Loans of such type.

Section 2.14 Several Obligations.

The failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve the other Banks of their respective obligations to make their Loans on such date, but no Bank shall be responsible for the failure of the other Banks to make Loans to be made by such other Banks.

Section 2.15 Letter of Credit Subfacility.

(a) A Borrower may request the issuance of a letter of credit (each a "**Letter of Credit**") on behalf of itself or another Borrower by delivering to the Agent a completed application and agreement for letter of credit in such form as the Agent may specify from time to time by no later than 10:00 a.m., Philadelphia time, at least three (3) Business Days, or such shorter period as may be agreed to by the Agent, in advance of the proposed date of issuance. Each Letter of Credit shall be a Standby Letter of Credit. Subject to the terms and conditions hereof and in reliance on the agreements of the other Banks set forth in this Section 2.15, the Agent will issue a Letter of Credit provided that each Letter of Credit shall (i) have a maximum maturity of twelve (12) months from the date of issuance (provided, however, that any such Letter of Credit may be renewable annually thereafter subject to Section 2.15(a)(ii) hereof), and (ii) in no event expire later than five Business Days prior to the Commitment Termination Date and providing that in no event shall (x) the Letter of Credit Outstandings exceed, at any one time, \$35,000,000.00 or (y) the Facility Usage exceed, at any one time, the aggregate Commitments of the Banks then in effect.

(b) Immediately upon the issuance of each Letter of Credit, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

(c) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Agent will promptly notify the Borrowers. The Borrowers shall, jointly and severally, reimburse (such obligation to reimburse the Agent shall sometimes be referred to as a **“Reimbursement Obligation”**) the Agent prior to 12:00 noon, Philadelphia time on each date that an amount is paid by the Agent under any Letter of Credit (each such date, an **“Drawing Date”**) in an amount equal to the amount so paid by the Agent. In the event the Borrowers fail to reimburse the Agent for the full amount of any drawing under any Letter of Credit by 11:00 a.m., Philadelphia time, on the Drawing Date, the Agent will promptly notify each Bank thereof, and the Borrowers shall be deemed to have requested that an ABR Loan be made by the Banks pursuant to Section 2.1 hereof in the full amount of the Reimbursement Obligation then outstanding, to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the aggregate Commitments of the Banks then in effect and subject to the conditions set forth in Section 4.2 hereof other than any notice requirements. Any notice given by the Agent pursuant to this Section 2.15(c) may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(d) Each Bank shall upon any notice pursuant to Section 2.15(c) make available to the Agent an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Banks shall (subject to Section 2.15(e)) each be deemed to have made an ABR Loan to the Borrowers in that amount. If any Bank so notified fails to make available to the Agent for the account of the Agent the amount of such Bank’s Ratable Share of such drawing by 2:00 p.m., Philadelphia time on the Drawing Date, then interest shall accrue on such Bank’s obligation to make such payment, from the Drawing Date to the date on which such Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Agent will promptly give notice of the occurrence of the Drawing Date, but failure of the Agent to give any such notice on the Drawing Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligation under this Section 2.15(d) (other than interest during the period it was not aware of such drawing).

(e) With respect to any Reimbursement Obligation that is not converted into an ABR Loan to the Borrowers in whole or in part as contemplated by Section 2.15(c) because of the Borrowers’ failure to satisfy the conditions set forth in Section 4.2 (other than any notice requirements) or for any other reason, the Borrowers shall be deemed to have incurred from the Agent a Letter of Credit Borrowing in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the ABR Loans or, if applicable, the Default Rate. Each Bank’s payment to the Agent pursuant to Section 2.15(d) shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a Participation Advance from such Bank in satisfaction of its participation obligation under this Section 2.15.

(f) Upon (and only upon) receipt by the Agent for its account of immediately available funds from the Borrowers (i) in reimbursement of any payment made by the Agent under the Letter of Credit with respect to which any Bank has made a Participation Advance to the Agent, or (ii) in payment of interest on such a payment made by the Agent under such a Letter of Credit, the Agent will pay to each Bank, in the same funds as those received by the Agent, the amount of such Bank’s Ratable Share of such funds, except the Agent shall retain the amount of the Ratable Share of such funds of any Bank that did not make a Participation Advance in respect of such payment by Agent.

(g) If the Agent is required at any time to return to any Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Borrower to the Agent pursuant to Section 2.15(f) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Agent, forthwith return to the Agent the amount of its Ratable Share of any amounts so returned by the Agent plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Agent, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

(h) Each Borrower agrees to be bound by the terms of the Agent's application and agreement for letters of credit and the Agent's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Borrower's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Agent shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

(i) In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Agent shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

(j) Each Bank's obligation in accordance with this Agreement to make the ABR Loans or Participation Advances, as contemplated by this Section 2.15, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrowers to reimburse the Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.15 under all circumstances, including the following circumstances:

- (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Agent, the Borrowers or any other Person for any reason whatsoever;
- (ii) the failure of any Borrower or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in this Agreement for the making of an ABR Loan hereunder, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Banks to make Participation Advances under this Section 2.15;

- (iii) any lack of validity or enforceability of any Letter of Credit;
- (iv) the existence of any claim, set-off, defense or other right which any Borrower or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Agent or any Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Borrower or Subsidiaries of a Borrower and the beneficiary for which any Letter of Credit was procured);
- (v) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Agent has been notified thereof,
- (vi) payment by the Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;
- (vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Borrower or Subsidiaries of a Borrower;
- (viii) any breach of this Agreement or any other Loan Document by any party thereto;
- (ix) the occurrence or continuance of an Insolvency Proceeding with respect to any Borrower;
- (x) the fact that an Event of Default or a Default shall have occurred and be continuing;
- (xi) the fact that the Commitment Termination Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and
- (xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; provided that each Bank's obligation to make ABR Loans under this Section 2.15 is subject to the conditions set forth in Section 4.2.

(k) In addition to amounts payable as provided in Article 10 hereof, the Borrowers hereby, jointly and severally, agree to protect, indemnify, pay and save harmless the Agent and the Banks from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Agent or the Banks may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Agent as determined by a final judgment of a court of competent jurisdiction or (B) subject to the following clause (ii), the wrongful dishonor by the Agent of a proper demand for payment made under any Letter of Credit (except upon the request of the Borrowers), or (ii) the failure of the Agent to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "**Governmental Acts**").

(l) (i) As between any Borrower and the Agent, such Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Agent shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Agent shall have been notified thereof); (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Borrower against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Borrower and any beneficiary of any Letter of Credit or any such transferee; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (G) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (H) any consequences arising from causes beyond the control of the Agent, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Agent's rights or powers hereunder.

(ii) In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Agent under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Agent under any resulting liability to the Borrowers or any Bank.

Section 2.16 Intentionally Omitted.

Section 2.17 Intentionally Omitted.

Section 2.18 Pro Rata Treatment Among Banks.

Except as otherwise provided herein: (i) each borrowing from the Banks under Section 2.1 hereof will be made from the Banks and each payment of each Fee (other than the Agency Fee and the Frontage Fee) shall be made for the account of the Banks pro rata according to their respective Unused Commitments; (ii) each partial reduction of the Total Commitment shall be applied to the Commitments of the Banks pro rata according to each Bank's respective Commitment; (iii) each conversion of Loans of a particular type under Section 2.21 hereof (other than conversions provided for by Section 2.24 or 2.25 hereof) will be made pro rata among the Banks holding Loans of such type according to the respective unpaid principal amounts of such Loans held by such Banks; (iv) each payment and prepayment of principal of or interest on Loans of a particular type will be made to the Agent for the account of the Banks holding Loans of such type pro rata in accordance with the respective unpaid principal amounts of such Loans held by such Banks; and (v) Interest Periods for Loans of a particular type shall be allocated among the Banks holding Loans of such type pro rata according to the respective unpaid principal amounts of such Loans held by such Banks.

Section 2.19 Non-Receipt of Funds by the Agent.

Unless the Agent shall have been notified by a Bank or a Borrower (the "Payor") prior to the date on which such Bank is to make payment to the Agent of the proceeds of a Loan to be made by it hereunder or the Borrowers are to make a payment to the Agent for the account of one or more of the Banks, as the case may be (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Agent, the recipient of such payment shall, on demand, repay to the Agent the amount made available to it together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day (when the recipient is a Bank) or equal to the rate of interest applicable to such Loan (when the recipient is a Borrower).

Section 2.20 Sharing of Payments and Set-Off Among Banks.

If a Bank shall effect payment of any principal of or interest on Loans held by it under this Agreement through the exercise of any right of set-off (including without limitation pursuant to Section 10.5 hereof), banker's lien, counterclaim or similar right, it shall promptly purchase from the other Banks participations in the Loans held by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such payment pro rata in accordance with the unpaid principal and interest on the Loans held by each of them. To such end, all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Each Borrower agrees that any Bank so purchasing a participation in the Loans held by the other Banks may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Bank were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrowers.

Section 2.21 Conversions of Loans.

The Borrowers shall have the right to convert Loans of one type into Loans of another type from time to time, provided that: (i) a Borrower shall give the Agent notice of each such conversion as provided in Section 2.2 hereof; (ii) LIBOR Loans may be converted only on the last day of an Interest Period for such Loans; and (iii) except as required by Sections 2.22 or 2.25 hereof, no ABR Loan may be converted into a LIBOR Loan if on the proposed date of conversion a Default or an Event of Default exists. The Agent shall use its best efforts to notify a Borrower of the effectiveness of such conversion, and the new interest rate to which the converted Loans are subject, as soon as practicable after the conversion; provided, however, that any failure to give such notice shall not affect the Borrowers' obligations, or the Agent's or the Banks' rights and remedies, hereunder in any way whatsoever.

Section 2.22 Additional Costs; Capital Requirements.

(a) In the event that any existing or future law or regulation, guideline or interpretation thereof, by any court or administrative or governmental authority (foreign or domestic) charged with the administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority shall impose, modify or deem applicable or result in the application of, any capital maintenance, capital ratio or similar requirement against loan commitments made by any Bank hereunder, and the result of any event referred to above is to impose upon any Bank or increase any capital requirement applicable as a result of the making or maintenance of, such Bank's Commitment or the obligation of the Borrowers hereunder with respect to such Commitment (which imposition of capital requirements may be determined by each Bank's reasonable allocation of the aggregate of such capital increases or impositions), then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such law, regulation, guideline, interpretation, request or directive exists and determines to make such demand, the Borrowers shall immediately, jointly and severally, pay to such Bank from time to time as specified by such Bank additional amounts which shall be sufficient to compensate such Bank for such imposition of or increase in capital requirements together with interest on each such amount at a rate per annum during the period (x) commencing on the date demanded until ten days thereafter equal to the Alternate Base Rate as in effect from time to time plus the Applicable Margin for ABR Loans and (y) commencing on the date that is ten days after the date demanded until payment in full thereof at the Post-Default Rate. A certificate setting forth in reasonable detail the amount necessary to compensate such Bank as a result of an imposition of or increase in capital requirements submitted by such Bank to a Borrower shall be conclusive, absent manifest error, as to the amount thereof. For purposes of this Section 2.22, all references to any "Bank" shall be deemed to include any participant in such Bank's Commitment.

(b) In the event that any Regulatory Change shall: (i) change the basis of taxation of any amounts payable to any Bank under this Agreement or the Notes in respect of any Loans including, without limitation, LIBOR Loans (other than taxes imposed on the overall net income of such Bank for any such Loans by the United States of America or the jurisdiction in which such Bank has its principal office); or (ii) impose or modify any reserve, Federal Deposit Insurance Corporation premium or assessment, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of such Loans or any deposits referred to in the definition of “Fixed Base Rate” in Article I hereof); or (iii) impose any other conditions affecting this Agreement in respect of Loans, including, without limitation, LIBOR Loans (or any of such extensions of credit, assets, deposits or liabilities); and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase such Bank’s costs of making or maintaining any Loans, including, without limitation, LIBOR Loans, or its Commitment, or to reduce any amount receivable by such Bank hereunder in respect of any of its LIBOR Loans, or its Commitment (such increases in costs and reductions in amounts receivable are hereinafter referred to as “Additional Costs”) in each case, only to the extent that such Additional Costs are not included in the Fixed Base Rate applicable to such LIBOR Loans, then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such a Regulatory Change exists and determines to make such demand (a copy of which demand shall be delivered to the Agent), the Borrowers shall pay to such Bank from time to time as specified by such Bank, additional amounts which shall be sufficient to compensate such Bank for such increased cost or reduction in amounts receivable by such Bank from the date of such change, together with interest on each such amount at a rate per annum during the period (x) commencing on the date demanded until ten days thereafter equal to the Alternate Base Rate as in effect from time to time plus the Applicable Margin for ABR Loans and (y) commencing on the date that is ten days after the date demanded until payment in full thereof at the Post-Default Rate. All references to any “Bank” shall be deemed to include any participant in such Bank’s Commitment.

(c) Without limiting the effect of the foregoing provisions of this Section 2.22, in the event that, by reason of any Regulatory Change, any Bank either: (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes LIBOR Loans, or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Bank so elects by notice to a Borrower (with a copy to the Agent), the obligation of such Bank to make, and to convert Loans of any other type into, LIBOR Loans hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (and all Loans of such type then outstanding shall be converted into ABR Loans in accordance with Sections 2.21 and 2.25 hereof).

(d) Determinations by any Bank for purposes of this Section 2.22 of the effect of any Regulatory Change on its costs of making or maintaining Loans or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate such Bank in respect of any Additional Costs, shall be set forth in writing in reasonable detail and shall be conclusive, absent manifest error.

Section 2.23 Limitation on Types of Loans

Anything herein to the contrary notwithstanding, if, on or prior to the determination of an interest rate for any LIBOR Loans for any Interest Period therefor, the Required Banks reasonably determine (which determination shall be conclusive):

(a) by reason of any event affecting the money markets in the United States of America or the London interbank market, quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans under this Agreement; or

(b) the rates of interest referred to in the definition of "Fixed Base Rate" in Article I hereof upon the basis of which the rate of interest on any LIBOR Loans for such period is determined, do not accurately reflect the cost to the Banks of making or maintaining such Loans for such period,

then the Agent shall give a Borrower and each Bank prompt notice thereof (and shall thereafter give a Borrower and each Bank prompt notice of the cessation, if any, of such condition), and so long as such condition remains in effect, the Banks shall be under no obligation to make LIBOR Loans or to convert any ABR Loans into LIBOR Loans and the Borrowers shall, on the last day(s) of the then current Interest Period(s) for the outstanding LIBOR Loans affected, either prepay such LIBOR Loans in accordance with Section 2.11 hereof or convert such LIBOR Loans into ABR Loans in accordance with Section 2.21 hereof.

Section 2.24 Illegality.

Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to: (i) honor its obligation to make LIBOR Loans hereunder, or (ii) maintain LIBOR Loans hereunder, then such Bank shall promptly notify a Borrower thereof (with a copy to the Agent), describing such illegality in reasonable detail (and shall thereafter promptly notify a Borrower and the Agent of the cessation, if any, of such illegality), and such Bank's obligation to make LIBOR Loans and to convert other types of Loans into LIBOR Loans hereunder shall, upon written notice given by such Bank to a Borrower, be suspended until such time as such Bank may again make and maintain LIBOR Loans and such Bank's outstanding LIBOR Loans shall be converted into ABR Loans in accordance with Sections 2.21 and 2.25 hereof.

Section 2.25 Certain Conversions Pursuant to Sections 2.22 and 2.24

If the Loans of any Bank of a particular type (Loans of such type are hereinafter referred to as "**Affected Loans**" and such type is hereinafter referred to as the "**Affected Type**") are to be converted pursuant to Section 2.22 or 2.24 hereof, such Bank's Affected Loans shall be converted into ABR Loans, or LIBOR Loans, as the case may be (the "**New Type Loans**") on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, in the case of a conversion required by Section 2.22(b) or Section 2.24 hereof, on such earlier date as such Bank may specify to a Borrower with a copy to the Agent) and, until such Bank gives notice as provided below that the circumstances specified in Section 2.22 or Section 2.24 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Bank's Affected Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Affected Loans shall be applied instead to its New Type Loans;

(b) all Loans that would otherwise be made by such Bank as Loans of the Affected Type shall be made instead as New Type Loans and all Loans of such Bank that would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) New Type Loans; and

(c) if Loans of any of the Banks other than such Bank that are the same type as the Affected Type are subsequently converted into Loans of another type (which type is other than New Type Loans), then such Bank's New Type Loans shall be automatically converted on the conversion date into Loans of such other type to the extent necessary so that, after giving effect thereto, all Loans held by such Bank and the Banks whose Loans are so converted are held pro rata (as to principal amounts, types and, to the extent applicable, Interest Periods) in accordance with their respective Commitments.

Section 2.26 Yield Maintenance.

The Borrowers shall pay, jointly and severally, to the Agent for the account of each Bank, upon the request of such Bank through the Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost, or expense incurred as a result of: (i) any payment of a LIBOR Loan on a date other than the last day of the Interest Period for such Loan; (ii) any failure by a Borrower to borrow a LIBOR Loan on the date specified by a Borrower's written notice; or (iii) any failure of a Borrower to pay a LIBOR Loan on the date for payment specified in a Borrower's written notice. Without limiting the foregoing, the Borrowers shall pay to the Agent for the account of each such Bank, a "yield maintenance fee" in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall be subtracted from the Fixed Rate in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced United States Treasury securities rate and the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to each such Bank upon the payment of a LIBOR Loan. Each reference in this paragraph to "**Fixed Rate Election**" shall mean the election by a Borrower of a Loan to bear interest based on the Fixed Rate. If by reason of an Event of Default, the Agent and/or the Banks elect to declare the Loans and/or the Notes to be immediately due and payable, then any yield maintenance fee with respect to a LIBOR Loan shall become due and payable in the same manner as though the Borrowers have exercised such right of prepayment.

Representations and Warranties

Each Borrower hereby represents and warrants to the Banks and the Agent that:

Section 3.1 Organization.

(a) Each Borrower and each other Loan Party is duly organized and validly existing under the laws of its state of organization and has the power to own its assets and to transact the business in which it is presently engaged and in which it proposes to be engaged. Schedule 3.1 hereto accurately and completely lists, as to each Borrower and each Subsidiary and each other Loan Party: (i) the state of incorporation or organization of each such entity, and the type of legal entity that each of them is, (ii) as to each of them that is a corporation, the classes and number of authorized and outstanding shares of capital stock of each such corporation, and the owners of such outstanding shares of capital stock, (iii) as to each of them that is a legal entity other than a corporation (but not a natural person), the type and amount of equity interests authorized and outstanding of each such entity, and the owners of such equity interests, and (iv) the business in which each of such entities is engaged. All of the foregoing shares or other equity interests that are issued and outstanding have been duly and validly issued and are fully paid and non-assessable, and are owned by the Borrowers referred to on Schedule 3.1, free and clear of any Lien except as otherwise provided for herein. Except as set forth on Schedule 3.1, there are no outstanding warrants, options, contracts or commitments of any kind entitling any Person to purchase or otherwise acquire any shares of Capital Stock or other equity interests of any Borrower or any Subsidiary or any other Loan Party nor are there outstanding any securities that are convertible into or exchangeable for any shares of capital stock or other equity interests of any Borrower or any Subsidiary or any other Loan Party. Except as set forth on Schedule 3.1, neither any Borrower nor any Subsidiary nor any other Loan Party has any Subsidiary. Each Subsidiary Borrower is a wholly owned Subsidiary of J&J Snack Foods Investment Corp. and J&J Snack Foods Investment Corp. is a wholly owned Subsidiary of Parent. Schedule 3.1 hereto accurately and completely lists each of the Primary Subsidiary Borrowers, which are those Subsidiary Borrowers that together with Parent accounted for not less than 90% of Parent's consolidated net income (as determined in accordance with GAAP) for Parent's fiscal year ending September 30, 2005.

(b) Each Borrower and each other Loan Party is in good standing in its state of organization and in each state in which it is qualified to do business. There are no jurisdictions other than as set forth on Schedule 3.1 hereto in which the character of the properties owned or proposed to be owned by any Borrower or any Subsidiary or any other Loan Party or in which the transaction of the business of any Borrower or any Subsidiary or any other Loan Party as now conducted or as proposed to be conducted requires or will require any Borrower or any Subsidiary or any other Loan Party to qualify to do business and as to which failure so to qualify could have a Material Adverse Effect.

(c) With respect to each Foreign Subsidiary, (i) each office maintained by each such Foreign Subsidiary is a Non-Material Office, (ii) such Foreign Subsidiaries do not own real and/or personal property that has a fair market value in excess of \$750,000 with respect to all such property owned by such Foreign Subsidiaries in the aggregate, and (iii) such Foreign Subsidiaries do not in the aggregate account for more than 5% of Parent's consolidated net income (as determined in accordance with GAAP) for Parent's fiscal year ending September 30, 2005.

Section 3.2 Power, Authority, Consents.

Each Borrower and each other Loan Party has the power to execute, deliver and perform the Loan Documents to be executed by it. Each Borrower has the power to borrow hereunder and has taken all necessary corporate action to authorize the borrowing hereunder on the terms and conditions of this Agreement. Each Borrower and each other Loan Party has taken all necessary action, corporate or otherwise, to authorize the execution, delivery and performance of the Loan Documents to be executed by it. No consent or approval of any Person (including, without limitation, any stockholder of any corporate Loan Party or any partner in any partnership Loan Party), no consent or approval of any landlord or mortgagee, no waiver of any Lien or right of distraint or other similar right and no consent, license, certificate of need, approval, authorization or declaration of any governmental authority, bureau or agency, is or will be required in connection with the execution, delivery or performance by any Borrower or any other Loan Party, or the validity, enforcement or priority, of the Loan Documents, except as set forth on Schedule 3.2 hereto, each of which either has been duly and validly obtained on or prior to the date hereof and is now in full force and effect, or is designated on Schedule 3.2 as waived by the Required Banks.

Section 3.3 No Violation of Law or Agreements.

The execution and delivery by each Borrower and each other Loan Party of each Loan Document to which it is a party and performance by it hereunder and thereunder, will not violate any provision of law and will not, except as set forth on Schedule 3.3 hereto, conflict with or result in a breach of any order, writ, injunction, ordinance, resolution, decree, or other similar document or instrument of any court or governmental authority, bureau or agency, domestic or foreign, or any certificate of incorporation or by-laws of any Borrower or any other corporate Loan Party or partnership agreement or other organizational document or instrument of any Loan Party that is not a corporation, or create (with or without the giving of notice or lapse of time, or both) a default under or breach of any agreement, bond, note or indenture to which any Borrower or any other Loan Party is a party, or by which any of them is bound or any of their respective properties or assets is affected, or result in the imposition of any Lien of any nature whatsoever upon any of the properties or assets owned by or used in connection with the business of any Borrower or any other Loan Party.

Section 3.4 Due Execution, Validity, Enforceability.

This Agreement and each other Loan Document to which any Loan Party is a party has been duly executed and delivered by the Loan Party that is a party thereto and each constitutes the valid and legally binding obligation of such Borrower or such other Loan Party that is a party thereto, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

Section 3.5 Properties.

All of the properties and assets owned by each Borrower and each Subsidiary and each other Loan Party are owned by each of them, respectively, free and clear of any Lien of any nature whatsoever, except as permitted by Section 7.2 hereof.

Section 3.6 Judgments, Actions, Proceedings.

Except as set forth on Schedule 3.6 hereto, there are no outstanding judgments, actions or proceedings, including, without limitation, any Environmental Proceeding, pending before any court or governmental authority, bureau or agency, with respect to or, to the best of each Borrower's knowledge, threatened against or affecting any Borrower or any Subsidiary or any other Loan Party, involving, in the case of any court proceeding, a claim in excess of \$500,000, nor, to the best of each Borrower's knowledge, is there any reasonable basis for the institution of any such action or proceeding that is probable of assertion, nor are there any such actions or proceedings in which any Borrower or any Subsidiary or any other Loan Party is a plaintiff or complainant.

Section 3.7 No Defaults, Compliance With Laws.

Except as set forth on Schedule 3.7 hereto, no Borrower nor any Subsidiary nor any other Loan Party is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a Material Adverse Effect. Each Borrower and each Subsidiary has complied and is in compliance in all respects with all applicable laws, ordinances and regulations, resolutions, ordinances, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, all applicable provisions of the Americans with Disabilities Act (42 U.S.C. §12101-12213) and the regulations issued thereunder and all applicable Environmental Laws and Regulations, non-compliance with which could have a Material Adverse Effect.

Section 3.8 Burdensome Documents.

Except as set forth on Schedule 3.8 hereto, no Borrower nor any of the other Loan Parties is a party to or bound by, nor are any of the properties or assets owned by any Borrower or any other Loan Party used in the conduct of their respective businesses affected by, any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment, including, without limitation, any of the foregoing relating to any Environmental Liability, that materially and adversely affects their respective businesses, assets or conditions, financial or otherwise.

Section 3.9 Financial Statements; Projections.

(a) Each of the Financial Statements is correct and complete and presents fairly the consolidated financial position of Parent and its Subsidiaries taken as a whole, and each other entity to which it relates, as at its date, and has been prepared in accordance with GAAP. No Borrower nor any of the Subsidiaries, nor any other entity to which any of the Financial Statements relates, has any material obligation, liability or commitment, direct or contingent (including, without limitation, any Environmental Liability), that is not reflected in the Financial Statements and if it were reflected in the Financial Statements would result in a Material Adverse Effect. There has been no change in the financial position or operations of Parent or any of its Subsidiaries or any other entity to which any of the Financial Statements relates since the date of the latest balance sheet included in the Financial Statements (the “**Latest Balance Sheet**”) that has resulted or may result in a Material Adverse Effect. Parent’s fiscal year is the twelve-month period ending on September 30th in each year.

(b) The Projections have been prepared on the basis of the assumptions accompanying them and reflect as of the date thereof Parent’s good faith projections, after reasonable analysis, of the matters set forth therein, based on such assumptions.

Section 3.10 Tax Returns.

Each Borrower and each Subsidiary has filed all federal, state and local tax returns required to be filed by it and has not failed to pay any taxes, or interest and penalties relating thereto, on or before the due dates thereof. Except to the extent that reserves therefor are reflected in the Financial Statements: (i) there are no material federal, state or local tax liabilities of Parent or any Subsidiary due or to become due for any tax year ended on or prior to the date of the Latest Balance Sheet relating to such entity, whether incurred in respect of or measured by the income of such entity, that are not properly reflected in the Latest Balance Sheet relating to such entity, and (ii) there are no material claims pending or, to the knowledge of any Borrower, proposed or threatened against any Borrower or any Subsidiary for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the Financial Statements.

Section 3.11 Intangible Assets.

Each Borrower possesses all patents, trademarks, service marks, trade names, and copyrights, and rights with respect to the foregoing, necessary to conduct its business as now conducted and as proposed to be conducted, without any conflict with the patents, trademarks, service marks, trade names, and copyrights and rights with respect to the foregoing, of any other Person.

Section 3.12 Regulation U.

No part of the proceeds received by any Borrower or any Subsidiary from the Loans will be used directly or indirectly for: (a) any purpose other than as set forth in Section 2.9 hereof, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in §221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter 11, Part 221.

Section 3.13 Intentionally Omitted.

Section 3.14 Full Disclosure.

None of the Financial Statements, the Projections, nor any certificate, opinion, or any other statement made or furnished in writing to the Agent or any Bank by or on behalf of any Borrower or any of the Subsidiaries or any other Loan Party in connection with this Agreement or the transactions contemplated herein, contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading, as of the date such statement was made. There is no fact known to any Borrower that has, or would in the now foreseeable future have, a Material Adverse Effect, which fact has not been set forth herein, in the Financial Statements, the Projections, or any certificate, opinion or other written statement so made or furnished to the Agent or the Banks.

Section 3.15 Licenses and Approvals.

Each Borrower and each of the Subsidiaries has all necessary licenses, permits and governmental authorizations, including, without limitation, licenses, permits and authorizations arising under or relating to Environmental Laws and Regulations, to own and operate its properties and to carry on its business as now conducted.

Section 3.16 Labor Disputes; Collective Bargaining Agreements; Employee Grievances.

Except as set forth on Schedule 3.16 hereto: (a) there are no collective bargaining agreements or other labor contracts covering any Borrower or any Subsidiary; (b) no such collective bargaining agreement or other labor contract will expire during the term of this Agreement; (c) no union or other labor organization is seeking to organize, or to be recognized as bargaining representative for, a bargaining unit of employees of any Borrower or any Subsidiary; (d) there is no pending or threatened strike, work stoppage, material unfair labor practice claim or charge, arbitration or other material labor dispute against or affecting any Borrower or any Subsidiary or their representative employees; (e) there has not been, during the five (5) year period prior to the date hereof, a strike, work stoppage, material unfair labor practice claim or charge, arbitration or other material labor dispute against or affecting any Borrower or any Subsidiary or any of their representative employees, and (f) there are no actions, suits, charges, demands, claims, counterclaims or proceedings pending or, to the best of each Borrower's knowledge, threatened against any Borrower or any of the Subsidiaries, by or on behalf of, or with, its employees, other than employee grievances arising in the ordinary course of business that are not, in the aggregate, material.

Section 3.17 Intentionally Omitted.

Section 3.18 ERISA.

(a) Except as disclosed on Schedule 3.18 hereto, no Employee Benefit Plan, including without limitation, any Multiemployer Plan, exists or has ever existed and neither any Loan Party nor any ERISA Affiliate is a participating employer in any Employee Benefit Plan in which more than one employer makes contributions as described in Sections 4063 and 4064 of ERISA. Except as disclosed on Schedule 3.18, no Loan Party nor any ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under any Employee Welfare Benefit Plan which is a welfare plan (as defined in Section 3(l) of ERISA), other than liability for health plan continuation coverage described in Part 6 of Title I of ERISA, which together with any disclosed liability on Schedule 3.18, would not result in liability to any Loan Party or ERISA Affiliate. The Borrowers have given to the Agent true and complete copies of all the following: (i) each Employee Benefit Plan and related trust agreement (including all amendments and commitments with respect to such Employee Benefit Plan or trust) which any Loan Party or ERISA Affiliate maintains or is committed to contribute to as of the date hereof and the most recent summary plan description, actuarial report, determination letter issued by the IRS and Form 5500 filed in respect of each such Employee Benefit Plan; and (ii) a listing of all of the Multiemployer Plans to which any Loan Party or ERISA Affiliate contributes or is committed to contribute and the aggregate amount of the most recent annual contributions required to be made to each such Multiemployer Plan, together with any information which has been provided to any Loan Party or ERISA Affiliate regarding withdrawal liability under any Multiemployer Plan and the collective bargaining agreement pursuant to which such contribution is required to be made.

(b) Each Employee Benefit Plan complies, in both form and operation in all material respects, with its terms, ERISA and the Code including, without limitation, Code Section 4980B, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by any Loan Party or ERISA Affiliate of any material liability, fine or penalty. No Loan Party nor any ERISA Affiliate has incurred any liability to the PBGC which remains outstanding other than the payment of premiums, and there are no premiums which have become due which are unpaid. No Loan Party nor any ERISA Affiliate has engaged in any transaction which could subject it to liability under Section 4069 or Section 4212(c) of ERISA. Each Employee Benefit Plan, related trust agreement, arrangement and commitment of each Loan Party and ERISA Affiliate is legally valid and binding in full force and effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code. To the knowledge of any Loan Party, nothing has occurred or is expected to occur that would adversely affect the qualified status of the Employee Benefit Plan or any related trust subsequent to the issuance of such determination letter. No Employee Benefit Plan is being audited or investigated by any government agency or subject to any pending or threatened claim or suit.

(c) Each Pension Plan currently meets and always has met the minimum funding standard of Section 302 of ERISA and Section 412 of the Code (without regard to any funding waiver). All contributions or payments due and owing as required by Section 302 of ERISA, Section 412 of the Code or the terms of any Pension Plan have been made by the due date for such contributions or payments. With respect to each Multiemployer Plan, each Loan Party and each ERISA Affiliate has paid or accrued all contributions pursuant to the terms of the applicable collective bargaining agreement required to be paid or accrued by it. With respect to each Pension Plan, the market value of assets (exclusive of any contribution due to the Pension Plan) equals or exceeds the present value of benefit liabilities as of the latest actuarial valuation date for such plan (but not prior to 12 months prior to the date hereof), determined on the basis of a shutdown of the company in accordance with actuarial assumptions used by the PBGC in single-employer plan terminations and since its last valuation date, there have been no amendments to such plan that materially increased the present value of accrued benefits nor any other material adverse changes in the funding status of such plan. Neither any Loan Party nor any ERISA Affiliate is required to provide security to a Pension Plan pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code.

(d) Neither any Loan Party nor any ERISA Affiliate nor any fiduciary of any Employee Benefit Plan has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. The execution, delivery and performance of the terms of any agreements that are related to this transaction will not constitute a prohibited transaction under the aforementioned sections.

(e) No Termination Event has occurred or is reasonably expected to occur.

(f) None of the following “reportable events” are which subject to the 30-day notice requirement of Section 4043(b) of ERISA in respect of any of the Pension Plans has occurred: (i) an inability to pay benefits when due, (ii) bankruptcy or insolvency of the sponsor of the Pension Plan, (iii) liquidation or dissolution of the sponsor of the Pension Plan, (iv) a failure to meet the minimum funding standards, or (v) certain transactions involving a change of employer. No Loan Party has received any notice from the PBGC that any of the Pension Plans is being involuntarily terminated or from the Secretary of the Treasury of the United States of America that any partial or full termination of any of the Employee Benefit Plans has occurred and no event shall have occurred, and there shall exist as of the date hereof no condition or set of circumstances which present a material risk of the involuntary termination of any of the Pension Plans.

(g) There are no agreements which will provide payments to any officer, employee, shareholder or highly compensated individual which will be “parachute payments” under Section 280G of the Code that are nondeductible to any Loan Party and which will be subject to the tax under Section 4999 of the Code for which any Loan Party would have a material withholding liability.

(h) All references to a Borrower or Loan Party in this Section 3.18 or in any other Section of this Agreement relating to ERISA shall be deemed to refer to each Borrower or Loan Party, as applicable, and any other entity which is considered an ERISA Affiliate.

ARTICLE 4

Conditions to the Loans

Section 4.1 Conditions to Initial Loans.

The obligation of each Bank to make the initial Loan to be made by it hereunder shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) The Borrowers shall have executed and delivered to each Bank their Note.

(b) The Borrowers shall have paid to the Agent the Agency Fee.

(c) Blank Rome LLP, counsel to the Borrowers, shall have delivered its opinion to, and in form and substance reasonably satisfactory to, the Agent.

(d) The Agent shall have received copies of the following:

(i) All of the consents, approvals and waivers referred to on Schedule 3.2 hereto (except only those which, as stated on Schedule 3.2, shall not be delivered);

(ii) A Secretary's Certificate of each Borrower, duly executed and acknowledged, confirming that the formation documents for such Borrower have not been amended, restated or supplemented since the date of the closing under the Original Loan Agreement;

(iii) All corporate action taken by each Borrower to authorize the execution, delivery and performance of each of the Loan Documents and the transactions contemplated thereby, certified by their respective secretaries;

(iv) Good standing certificates generally as of dates not more than twenty (20) days prior to the date of the initial Loan, with respect to Parent and each Primary Subsidiary Borrower, from the Secretary of State of their respective states of incorporation;

(v) An incumbency certificate (with specimen signatures) with respect to each Borrower; and

(vi) Evidence of property and casualty insurance and liability insurance.

(e) (i) Each Borrower shall have complied and shall then be in compliance with all of the terms, covenants and conditions of this Agreement;

(ii) After giving effect to the initial Loan, there shall exist no Default or Event of Default hereunder;

(iii) The representations and warranties contained in Article 3 hereof shall be true and correct on the date hereof; and

(iv) The Agent shall have received a Compliance Certificate dated the date hereof certifying, inter alia, that the conditions set forth in this subsection 4.1(e) are satisfied on such date.

(f) All legal matters incident to the initial Loans shall be satisfactory to counsel to the Agent.

Section 4.2 Conditions to Subsequent Loans.

The obligation of each Bank to make each Loan subsequent to its initial Loan shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) The Agent shall have received a Borrowing Notice in accordance with Section 2.3 hereof together with a certification that:

(i) The representations and warranties made by the Borrowers herein or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith, shall be correct on and as of the borrowing date for such Loan as if made on and as of such date; and

(ii) No Default or Event of Default shall have occurred and be continuing on the date a Loan is to be made or after giving effect to the Loan to be made on such date.

(b) All legal matters incident to such Loan shall be satisfactory to counsel for the Agent.

ARTICLE 5

Delivery of Financial Reports, Documents and Other Information.

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any Borrower is indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of their other obligations arising hereunder, the Borrowers shall deliver to each Bank:

Section 5.1 Annual Financial Statements and Projections.

Annually, as soon as available, (i) but in any event within ninety (90) days after the last day of each of its fiscal years, a consolidated balance sheet of Parent and the Subsidiaries as at such last day of the fiscal year, and consolidated statements of income and retained earnings and statements of cash flow, for such fiscal year, each prepared in accordance with GAAP, in reasonable detail, and audited and certified without qualification by Grant Thornton, LLP, or another firm of independent certified public accountants satisfactory to the Agent, as fairly presenting the financial position and the results of operations of Parent and the Subsidiaries as at and for the year ending on its date and as having been prepared in accordance with GAAP, and (ii) on or before each November 15th, Projections for the then upcoming fiscal year.

Section 5.2 Quarterly Financial Statements.

As soon as available, but in any event within forty-five (45) days after the end of the Parent's first three fiscal quarterly periods, a consolidated balance sheet of Parent and the Subsidiaries as of the last day of such quarter and consolidated statements of income and retained earnings and statements of cash flow, for such quarter, and on a comparative basis figures for the corresponding period of the immediately preceding fiscal year, all in reasonable detail, each such statement to be certified in a certificate of the chief financial or accounting officer of Parent as accurately presenting the financial position and the results of operations of Parent and the Subsidiaries as at its date and for such quarter and as having been prepared in accordance with GAAP (subject to year-end audit adjustments).

Section 5.3 Compliance Information.

Promptly after a written request therefor, such other financial data or information evidencing compliance with the requirements of this Agreement, the Notes and the other Loan Documents, as any Bank may reasonably request from time to time.

Section 5.4 Covenant Compliance Certificate.

At the same time as it delivers the financial statements required under the provisions of Sections 5.1 and 5.2 hereof, a covenant compliance certificate of the president and the chief financial or accounting officer of Parent confirming compliance with the covenants contained in Sections 6.9 and 7.13 hereof, accompanied by a detailed calculation indicating compliance with the covenants contained in Sections 6.9 and 7.13 hereof.

Section 5.5 Intentionally Omitted.

Section 5.6 Accountants' Reports.

Promptly upon receipt thereof, copies of each management letter and each other written report submitted to any and/or all of the Borrowers by its independent accountants in connection with any annual or interim audit or review of the books of Parent and/or all or any of the Borrowers made by such accountants.

Section 5.7 Copies of Documents.

Promptly upon their becoming available, and in all events within ten (10) days of any such filing, copies of any: (i) financial statements, projections, non-routine reports, notices (other than routine correspondence), requests for waivers and proxy statements, in each case, delivered by any Borrower or any of the Subsidiaries to any lending institution other than the Banks; (ii) correspondence or notices received by any Borrower from any federal, state or local governmental authority that regulates the operations of the Borrowers or any of its Subsidiaries, relating to an actual or threatened change or development that would be materially adverse to any Borrower or any Subsidiary; (iii) registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by any Borrower or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission; and (iv) letters of comment or correspondence sent to any Borrower or any of its Subsidiaries by any such securities exchange or such Commission in relation to any Borrower or any of its Subsidiaries.

Section 5.8 Notices of Defaults.

Promptly, notice of the occurrence of any Default or Event of Default, or any event that would constitute or cause a material adverse change in the condition, financial or otherwise, or the operations of any Borrower or any of the Subsidiaries.

Section 5.9 ERISA Notices and Requests.

Notice of each of the following within ten (10) days after such event or occurrence:

(a) any Loan Party or ERISA Affiliate knowing or having reason to know that a Termination Event has occurred or that a Defined Contribution Plan has been terminated or partially terminated, together with a written statement by the appropriate chief financial officer setting forth the details of such event;

(b) the filing of a request for a funding waiver by any Loan Party or ERISA Affiliate with respect to any Pension Plan, and a copy of such request and all communications received by any Loan Party or ERISA Affiliate with respect to such request;

(c) receipt by any Loan Party or ERISA Affiliate of a notice of the PBGC's intent to terminate a Pension Plan, and a copy of such notice;

(d) the failure of any Loan Party or ERISA Affiliate to make a required installment or payment under Section 302 of ERISA or Section 412 of the Code by the applicable due date thereof, together with a written notice of such failure;

(e) any Loan Party or ERISA Affiliate knowing or having reason to know that a prohibited transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) has occurred with respect to any Employee Benefit Plan, and a written statement by the appropriate chief financial officer setting forth the details of such transaction and the action taken with respect thereto;

(f) any increase in the benefits of any existing Employee Benefit Plan or the establishment of any new Employee Benefit Plan or the commencement of contributions to any Employee Benefit Plan to which any Loan Party or ERISA Affiliate had not theretofore been contributing, together with a written notice of such occurrence;

(g) receipt by any Loan Party or ERISA Affiliate of any favorable or unfavorable determination letter from the IRS regarding the qualification of a Pension Plan under Section 401(a) of the Code, together with a copy of such letter;

(h) the filing of an annual report (Form 5500 series), including Schedule B thereto, filed by any Loan Party or ERISA Affiliate with respect to an Employee Benefit Plan, together with a copy of such report;

(i) receipt by any Loan Party or ERISA Affiliate of an actuarial report for any Pension Plan, together with a copy of such report;

(j) receipt by any Loan Party or ERISA Affiliate of all correspondence with the PBGC, the Secretary of Labor of the United States of America or any representative of the IRS with respect to any Employee Benefit Plans, relating to an actual or threatened change or development which would be materially adverse to any Borrower or any ERISA Affiliate; and

(k) receipt by any Loan Party or ERISA Affiliate of any correspondence from a Multiemployer Plan with respect to withdrawal liability.

Section 5.10 Intentionally Omitted.

Section 5.11 Additional Information.

Such other information regarding the business, affairs and condition of the Borrowers and the Subsidiaries as the Agent, may from time to time reasonably request.

ARTICLE 6

Affirmative Covenants.

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any Borrower is indebted to the Banks or the Agent, and until payment in full of the Notes and full and complete performance of all of their other obligations arising hereunder, the Borrowers shall and shall cause each Subsidiary to:

Section 6.1 Books and Records.

Keep proper books of record and account in a manner reasonably satisfactory to the Agent in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and activities.

Section 6.2 Inspections and Audits.

Permit the Banks to make or cause to be made (at the expense of the Banks except that, after the occurrence of and during the continuance of an Event of Default, at the Borrowers' expense), inspections and audits of any books, records and papers of each Borrower and each of the Subsidiaries and to make extracts therefrom and copies thereof, or to make inspections and examinations of any properties and facilities of the Borrowers and the Subsidiaries, on reasonable notice, at all such reasonable times and as often as any Bank may reasonably require, in order to assure that the Borrowers are and will be in compliance with its obligations under the Loan Documents or to evaluate the Banks' investment in the then outstanding Notes.

Section 6.3 Maintenance and Repairs.

Maintain in good repair, working order and condition, subject to normal wear and tear, all material properties and assets from time to time owned by it and used in or necessary for the operation of its business, and make all reasonable repairs, replacements, additions and improvements thereto.

Section 6.4 Continuance of Business.

Do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its corporate existence and all permits, rights and privileges necessary for the proper conduct of its business and continue to engage in the same line of business and comply in all material respects with all applicable laws, regulations and orders.

Section 6.5 Copies of Corporate Documents.

Subject to the prohibitions set forth in Section 7.12 hereof, promptly deliver to the Agent copies of any amendments or modifications to its and any Subsidiary's certificate of incorporation and by-laws, certified with respect to the certificate of incorporation by the Secretary of State of its state of incorporation and, with respect to the by-laws, by the secretary or assistant secretary of such corporation.

Section 6.6 Perform Obligations.

Pay and discharge all of its material obligations and liabilities, including, without limitation, all taxes, assessments and governmental charges upon its income and properties when due, unless and to the extent only that such obligations, liabilities, taxes, assessments and governmental charges shall be contested in good faith and by appropriate proceedings and that, to the extent required by GAAP then in effect, proper and adequate book reserves relating thereto are established by the Borrowers, or, as the case may be, by the appropriate Subsidiary, and then only to the extent that a bond is filed in cases where the filing of a bond is necessary to avoid the creation of a Lien against any of its properties.

Section 6.7 Notice of Litigation.

Promptly notify the Agent in writing of any litigation, legal proceeding or dispute, other than disputes in the ordinary course of business or, whether or not in the ordinary course of business, involving amounts in excess of Five Hundred Thousand (\$500,000) Dollars, affecting any Borrower or any Subsidiary whether or not fully covered by insurance, and regardless of the subject matter thereof (excluding, however, any actions relating to workers' compensation claims or negligence claims relating to use of motor vehicles, if fully covered by insurance, subject to deductibles and general liability claims of less than \$5,000,000 fully covered by insurance).

Section 6.8 Insurance.

Maintain with responsible insurance companies acceptable to the Agent such insurance on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses; (ii) file with the Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby and (iii) carry all insurance available through the PBGC or any private insurance companies covering its obligations to the PBGC.

Section 6.9 Financial Covenants.

Have or maintain, on a consolidated basis, at all times:

(a) A ratio of total liabilities (as determined in accordance with GAAP) to Tangible Net Worth of not more than 2.0 to 1.0.

(b) Tangible Net Worth of more than the sum of (i) \$170,000,000 (less the amount by which the total consideration paid by Borrowers (including, but without duplication, the total amount of Indebtedness incurred by Borrowers) to consummate a Permitted Acquisition after the date of this Agreement exceeds the value, as shown on the Borrowers' financial statements, of the tangible assets acquired by the Borrowers in such Permitted Acquisition (but any such reduction shall not, at any time, reduce such amount to less than \$120,000,000)), plus (ii) beginning with Parent's fiscal quarter ending September 30, 2006 and with respect to each fiscal quarter of Parent thereafter, 50% of the Borrowers' consolidated net income (determined in accordance with GAAP), on a cumulative basis and without any reduction for loss for each such fiscal quarter.

(c) A Leverage Ratio of not more than 2.25 to 1.0.

(d) A Fixed Charge Coverage Ratio of not less than 1.5 to 1.0.

(e) A positive net income (after subtracting Interest Expense and Federal, state and local income tax expense) for each fiscal year of the Parent.

Section 6.10 Notice of Certain Events.

(a) Promptly notify the Agent in writing of the occurrence of any Reportable Event, as defined in Section 4043 of ERISA, if a notice of such Reportable Event is required under ERISA to be delivered to the PBGC within 30 days after the occurrence thereof, together with a description of such Reportable Event and a statement of the action the Loan Party or the ERISA Affiliate intends to take with respect thereto, together with a copy of the notice thereof given to the PBGC.

(b) Promptly notify the Agent in writing if any Loan Party or ERISA Affiliate receives an assessment of withdrawal liability in connection with a complete or partial withdrawal with respect to any Multiemployer Plan, together with a statement of the action that such Loan Party or ERISA Affiliate intends to take with respect thereto.

(c) Promptly notify the Agent in writing if any Borrower or any other Loan Party receives: (i) any notice of any violation or administrative or judicial complaint or order having been filed or about to be filed against such Borrower or such other Loan Party alleging violations of any Environmental Law and Regulation, or (ii) any notice from any governmental body or any other Person alleging that such Borrower or such other Loan Party is or may be subject to any Environmental Liability; and promptly upon receipt thereof, provide the Agent with a copy of such notice together with a statement of the action such Borrower or such other Loan Party intends to take with respect thereto.

Section 6.11 Comply with ERISA.

Materially comply with all applicable provisions of ERISA and the Code now or hereafter in effect.

Section 6.12 Environmental Compliance.

Operate all property owned, operated or leased by it in compliance with all Environmental Laws and Regulations, such that no material Environmental Liability arises under any Environmental Laws and Regulations, which would result in a Lien on any property of any Borrower or any other Loan Party; provided, however, that in the event that any such claim is made or any such Environmental Liability arises, the Borrower or such other Loan Party shall (subject to such Borrower's or such Loan Party's right to contest such claim in good faith and at its own expense by appropriate legal proceedings; provided, however, that during such contest, such Borrower or such other Loan Party shall, at the option of the Agent, provide security satisfactory to the Agent, assuring the discharge of such Borrower's or such Loan Party's obligation thereunder and of any additional interest charge, penalty or expense arising from or incurred as a result of such contest), at its own cost and expense, in a timely manner, immediately satisfy such claim or Environmental Liability.

Section 6.13 Certain Subsidiary Matters.

(a) With respect to each fiscal year of Parent, ensure that Persons that are the Borrowers account for not less than 95% of Parent's consolidated net income (as determined in accordance with GAAP).

(b) With respect to each Foreign Subsidiary, ensure that (i) each office maintained by each such Foreign Subsidiary is a Non-Material Office, (ii) such Foreign Subsidiaries do not own real and/or personal property that has a fair market value in excess of \$10,000,000 with respect to all such property owned by such Foreign Subsidiaries in the aggregate and (iii) with respect to any fiscal year of Parent, such Foreign Subsidiaries do not in the aggregate account for more than 5% of Parent's consolidated net income (as determined in accordance with GAAP).

Negative Covenants

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any Borrower is indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of their other obligations arising hereunder, no Borrower shall and shall not permit any of its Subsidiaries to do, agree to do, or permit to be done, any of the following:

Section 7.1 Indebtedness.

Create, incur, permit to exist or have outstanding any Indebtedness, except the following Indebtedness (so long as, after giving effect to the incurrence of such Indebtedness, no Default or Event of Default would exist):

(a) Indebtedness of the Borrowers to the Banks and the Agent and under this Agreement and the Notes;

(b) Indebtedness incurred in connection with a Permitted Acquisition;

(c) Taxes, assessments and governmental charges, non-interest bearing accounts payable and accrued liabilities, in any case not more than 90 days past due from the original due date thereof, and non-interest bearing deferred liabilities other than for borrowed money (e.g., deferred compensation and deferred taxes), in each case incurred and continuing in the ordinary course of business;

(d) As set forth on Schedule 7.1 hereto; and

(e) Other Indebtedness; provided that the amount thereof at any one time outstanding with respect to all such other Indebtedness shall not exceed \$3,000,000.

Section 7.2 Liens.

Create, or assume or permit to exist, any Lien on any of the properties or assets of any Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, except:

(a) Permitted Liens;

(b) Purchase money mortgages or security interests, conditional sale arrangements and other similar security interests, on motor vehicles and equipment acquired by any Borrower or any Subsidiary (hereinafter referred to individually as "**Purchase Money Security Interest**") with the proceeds of the Indebtedness permitted by Section 7.1(e) hereof; provided, however, that:

(i) The transaction in which any Purchase Money Security Interest is proposed to be created is not then prohibited by this Agreement;

(ii) Any Purchase Money Security Interest shall attach only to the property or asset acquired in such transaction and shall not extend to or cover any other assets or properties of any Borrower or, as the case may be, a Subsidiary;

(iii) The Indebtedness secured or covered by any Purchase Money Security Interest shall not exceed the lesser of the cost or fair market value of the property or asset acquired and shall not be renewed, extended or prepaid from the proceeds of any borrowing by any Borrower or any Subsidiary; and

(iv) The Indebtedness secured or covered by any Purchase Money Security Interest shall not exceed the amount of Indebtedness permitted by Sections 7.1(b) or 7.1(e) hereof (including the proviso at the end of Section 7.1);

(c) The interests of the lessor under any Capitalized Lease;

(d) As set forth on Schedule 7.2 hereto; and

(e) With the prior written consent of the Agent and the Required Banks (which consent shall not be unreasonably withheld, conditioned or delayed), Liens on property acquired pursuant to a Permitted Acquisition; provided, however, that:

(i) Any such Lien shall attach only to the property or asset acquired in such Permitted Acquisition and shall not extend to or cover any other assets or properties of any Borrower or, as the case may be, a Subsidiary; and

(ii) The Indebtedness secured or covered by any such Lien shall not exceed the lesser of the cost or fair market value of the property or asset acquired and shall not be renewed, extended or prepaid from the proceeds of any borrowing by any Borrower or any Subsidiary; and

(iii) The Indebtedness secured or covered by any such Lien shall not exceed the amount of Indebtedness permitted by Section 7.1(b) or Section 7.1(e) hereof (including the proviso at the end of Section 7.1).

Section 7.3 Guaranties.

Except as set forth on Schedule 7.1 hereto, assume, endorse, be or become liable for, or guarantee, the obligations of any Person, except (i) by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business; and (ii) guarantees by a Borrower of Indebtedness of another Borrower permitted by Section 7.1 hereof. For the purposes hereof, the term "guarantee" shall include any agreement, whether such agreement is on a contingency or otherwise, to purchase, repurchase or otherwise acquire Indebtedness of any other Person, or to purchase, sell or lease, as lessee or lessor, property or services, in any such case primarily for the purpose of enabling another Person to make payment of Indebtedness, or to make any payment (whether as an advance, capital contribution, purchase of an equity interest or otherwise) to assure a minimum equity, asset base, working capital or other balance sheet or financial condition, in connection with the Indebtedness of another Person, or to supply funds to or in any manner invest in another Person in connection with such Person's Indebtedness.

Section 7.4 Mergers, Acquisitions.

Merge or consolidate with any Person (whether or not any Borrower or any Subsidiary is the surviving entity), or acquire all or substantially all of the assets or any of the Capital Stock of any Person except for Permitted Acquisitions.

Section 7.5 Redemptions; Distributions.

(a) At any time a Default or Event of Default has occurred and is continuing or would result therefrom, purchase, redeem, retire or otherwise acquire, directly or indirectly, or make any sinking fund payments with respect to, any shares of any class of stock of any Borrower or any Subsidiary now or hereafter outstanding or set apart any sum for any such purpose; or

(b) Declare or pay any dividends or make any distribution of any kind on any Borrower's outstanding stock, or set aside any sum for any such purpose, except that (i) a Subsidiary Borrower may declare or pay any dividend to Parent, (ii) a Borrower may declare or pay any dividend payable solely in shares of its common stock, and (iii) the Parent may pay a cash dividend to its shareholders on a quarterly basis; provided, however, that with respect to any of the foregoing, no Default or Event of Default has occurred and is then continuing or would result from the declaration or payment of any such dividend.

Section 7.6 Stock Issuance.

Issue any additional shares or any right or option to acquire any shares, or any security convertible into any shares, of preferred stock of any Borrower or any Subsidiary.

Section 7.7 Changes in Business.

Make any material change in its business, or in the nature of its operation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of any of its property, assets or business except dispositions of obsolete equipment and other dispositions in the ordinary course of business and for a fair consideration or dispose of any shares of stock or any Indebtedness, whether now owned or hereafter acquired, or discount, sell, pledge, hypothecate or otherwise dispose of accounts receivable.

Section 7.8 Prepayments.

Make any voluntary or optional prepayment of any Indebtedness for borrowed money incurred or permitted to exist under the terms of this Agreement, other than Indebtedness evidenced by the Notes, unless and to the extent refinanced with new long term Indebtedness on terms (including amortization and maturity) at least as favorable to the Borrowers as the Indebtedness being prepaid; provided, however, that no Default or Event of Default has occurred and is then continuing or would result from any such payment.

Section 7.9 Investments.

Make, or suffer to exist, any Investment in any Person, including, without limitation, any shareholder, director, officer or employee of any Borrower or any of the Subsidiaries, except (and so long as at the time such Investment is made no Default or Event of Default then exists or would result from the making of such Investment):

(a) Investments in:

(i) obligations issued or guaranteed by the United States of America;

(ii) certificates of deposit, bankers acceptances and other “money market instruments” issued by any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000;

(iii) open market commercial paper, or auction market preferred funds, bearing a credit rating of not less than “A” by Standard & Poor’s Corporation or by another nationally recognized credit rating agency maturing or being due or payable in full not more than 180 days after the date of the Borrower’s or the Subsidiary’s, as applicable, acquisition thereof;

(iv) repurchase agreements entered into with any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000 relating to United States of America government obligations maturing or being due or payable in full not more than 180 days after the date of the Borrower’s or the Subsidiary’s, as applicable, acquisition thereof;

(v) shares of “money market funds”, each having net assets of not less than \$100,000,000; in each case maturing or being due or payable in full not more than 180 days after the date of the Borrower’s or the Subsidiary’s, as applicable, acquisition thereof; and

(vi) accounts receivable arising out of sales of inventory in the ordinary course of business;

(b) Investments in Subsidiaries that are acquired pursuant to a Permitted Acquisition; provided such Subsidiary becomes a Borrower pursuant to Section 7.13 of this Agreement;

(c) Other Investments; provided, that, the amount of all such other Investments at any one time outstanding shall not exceed \$500,000 in the aggregate with respect to all such other Investments;

(d) Investments by any Borrower in any other Borrower;

(e) Arm’s-length transactions among Affiliates; and

(f) Investments resulting from the disposition of obsolete equipment or the other disposition of assets in the ordinary course of business.

Section 7.10 Fiscal Year.

Change its fiscal year.

Section 7.11 ERISA Obligations.

(a) Permit the occurrence of any Termination Event, or the occurrence of a termination or partial termination of a Defined Contribution Plan which would result in a liability to any Loan Party or ERISA Affiliate; or

(b) Permit the present value of all benefit liabilities under all Pension Plans to exceed the current value of the assets of such Pension Plans allocable to such benefit liabilities; or

(c) Permit any accumulated deficiency (as defined in Section 302 of ERISA and Section 412 of the Code) with respect to any Pension Plan, whether or not waived; or

(d) Fail to make any contribution or payment to any Multiemployer Plan which any Loan Party or ERISA Affiliate may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto which results in or is likely to result in any liability; or

(e) Engage, or permit any Loan Party or ERISA Affiliate to engage, in any prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, for which a civil penalty pursuant to Section 502(i) of ERISA or a tax pursuant to Section 4975 of the Code is imposed; or

(f) Engage or permit any Loan Party or ERISA Affiliate to engage, in any breach of fiduciary duty under Part 4 of Title I of ERISA; or

(g) Permit the establishment of any Employee Benefit Plan providing postretirement welfare benefits or establish or amend any Employee Benefit Plan which establishment or amendment could result in liability to any Loan Party or ERISA Affiliate or increase the obligation of any Loan Party or ERISA Affiliate to a Multiemployer Plan which liability or increase, individually or together with all similar liabilities and increases, is material to any Loan Party or ERISA Affiliate; or

(h) Permit any Loan Party or ERISA Affiliate to be or become obligated to the PBGC other than in respect of annual premium payments; or

(i) Fail, or permit any Loan Party or ERISA Affiliate to fail, to establish, maintain and operate each Employee Benefit Plan in compliance in all material respects with the provisions of ERISA, the Code and all other applicable laws and the regulations and interpretations thereof.

Section 7.12 Amendments of Documents.

Modify, amend, or supplement in a manner which would be adverse to Agent or any Lender, or terminate, or agree to modify, amend, or supplement in a manner which would be adverse to Agent or any Lender, or terminate, its certificate of incorporation or by-laws.

Section 7.13 Additional Subsidiaries.

Not allow any Domestic Subsidiary to be acquired or established by any Borrower after the date of this Agreement unless and until the Borrowers shall have caused such new Domestic Subsidiary to become a Borrower hereunder and in connection therewith shall execute, and shall have caused such new Domestic Subsidiary to execute, a Joinder and any other documentation reasonably requested by the Agent, which may include amendments to this Agreement.

Section 7.14 Double Negative Pledge.

No Borrower shall enter into any agreement which prohibits or limits the ability of any Borrower to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired.

Section 7.15 Intentionally Omitted.

Section 7.16 Intentionally Omitted.

Section 7.17 Transactions with Affiliates.

Except as expressly permitted by this Agreement, directly or indirectly: (a) make any Investment in any of its Affiliates that is not a Borrower; (b) transfer, sell, lease, assign or otherwise dispose of any assets to any of its Affiliates that is not a Borrower; (c) merge into or consolidate with or purchase or acquire assets from any of its Affiliates that is not a Borrower; or (d) enter into any other transaction directly or indirectly with or for the benefit of any of its Affiliates that is not a Borrower (including, without limitation, guarantees and assumptions of obligations of such an Affiliate); provided, however, that: (i) payments on Investments expressly permitted by Section 7.9 hereof may be made, (ii) any Affiliate of a Borrower who is a natural person may serve as an employee or director of any Borrower and receive reasonable compensation for his services in such capacity, and (iii) any Borrower may enter into any transaction with any of its Affiliates that is not a Borrower providing for the leasing of property, the rendering or receipt of services or the purchase or sale of product, inventory and other assets in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to such Borrower as the monetary or business consideration that would obtain in a comparable arm's length transaction with a Person not an Affiliate of a Borrower.

Section 7.18 Hazardous Material.

(a) Cause or permit:

(i) any Hazardous Material to be placed, held, located or disposed of, on, under or at any real property owned by a Borrower or any part thereof, except for such Hazardous Materials that are necessary for any Borrower's or any Subsidiary's or any tenant's operation of its business thereon and which shall be used, stored, treated and disposed of in compliance with all applicable Environmental Laws and Regulations; or

(ii) such real property or any part thereof to be used as a collection, storage, treatment or disposal site for any Hazardous Material.

(b) Each Borrower and each Subsidiary acknowledges and agrees that the Agent and the Banks shall have no liability or responsibility for either:

(i) damage, loss or injury to human health, the environment or natural resources caused by the presence, disposal, release or threatened release of Hazardous Materials on any part of such real property; or

(ii) abatement and/or clean-up required under any applicable Environmental Laws and Regulations for a release, threatened release or disposal of any Hazardous Materials located at such real property or used by or in connection with any Borrower's or any Subsidiary's or any such tenant's business.

ARTICLE 8

Events of Default

If any one or more of the following events ("**Events of Default**") shall occur and be continuing, the Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other obligations and Indebtedness of any and/or all of the Borrowers to the Banks and the Agent arising hereunder and under the other Loan Documents shall immediately become due and payable upon written notice to that effect given to a Borrower by the Agent (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required), without presentment or demand for payment, notice of non-payment, protest or further notice or demand of any kind, all of which are expressly waived by each Borrower:

Section 8.1 Payments.

(a) Failure to make any payment of interest upon any Note or to make any payment of any Fee within five days of when due; or

(b) Failure to make any payment or mandatory prepayment of principal upon any Note when due; or

Section 8.2 Certain Covenants.

(a) Failure to perform or observe any of the agreements of any Borrower or any Subsidiary contained in Section 6.9 hereof; or

(b) Failure to perform or observe any of the agreements of any Borrower or any Subsidiary contained in Article 7 hereof; provided, that, the failure to perform or observe any of such agreements of any Borrower or any Subsidiary has or may result in a Material Adverse Effect; or

Section 8.3 Other Covenants.

(a) Failure by any Borrower to (i) perform or observe any of the agreements of any Borrower or any Subsidiary contained in Article 7 hereof that has not or may not result in a Material Adverse Effect and (ii) perform or observe any other term, condition or covenant of this Agreement not covered by any of the other Events of Default set forth in this Article 8 or of any of the other Loan Documents to which it is a party, in each case which shall remain unremedied for a period of 30 days after notice thereof shall have been given to a Borrower by the Agent; or

(b) Failure by any Loan Party other than a Borrower to perform or observe any term, condition or covenant of any of the Loan Documents to which it or he is a party, which shall remain unremedied for a period of 30 days after notice thereof shall have been given to a Borrower by the Agent; or

Section 8.4 Other Defaults.

(a) Failure to perform or observe any term, condition or covenant of any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument to which any Borrower or any Subsidiary is a party or by which it is bound, or by which any of its properties or assets may be affected (a “**Debt Instrument**”), so that, as a result of any such failure to perform, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(b) Any event or condition referred to in any Debt Instrument shall occur or fail to occur, so that, as a result thereof, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(c) Failure to pay any Indebtedness for borrowed money due at final maturity or pursuant to demand under any Debt Instrument; provided, however that the provisions of this Section 8.4 shall not be applicable to any Debt Instrument that on the date this Section 8.4 would otherwise be applicable thereto, relates to or evidences Indebtedness in a principal amount of less than Five Hundred Thousand (\$500,000) Dollars; or

Section 8.5 Representations and Warranties.

Any representation or warranty made in writing to the Banks or the Agent in any of the Loan Documents or in connection with the making of the Loans, or any certificate, statement or report made or delivered in compliance with this Agreement, shall have been false or misleading in any material respect when made or delivered; or

Section 8.6 Bankruptcy.

(a) Any Borrower or any Subsidiary shall make an assignment for the benefit of creditors, file a petition in bankruptcy, be adjudicated insolvent, petition or apply to any tribunal for the appointment of a receiver, custodian, or any trustee for it or him or a substantial part of its or his assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any Borrower or any Subsidiary shall take any corporate action to authorize any of the foregoing actions; or there shall have been filed any such petition or application, or any such proceeding shall have been commenced against it or him, that remains undismissed for a period of sixty (60) days or more; or any order for relief shall be entered in any such proceeding; or any Borrower or any Subsidiary by any act or omission shall indicate its or his consent to, approval of or acquiescence in any such petition, application or proceeding or the appointment of a custodian, receiver or any trustee for it or him or any substantial part of any of its or his properties, or shall suffer any custodianship, receivership or trusteeship to continue undischarged for a period of sixty (60) days or more; or

(b) Any Borrower or any Subsidiary shall generally not pay its or his debts as such debts become due; or

(c) Any Borrower or any Subsidiary shall have concealed, removed, or permitted to be concealed or removed, any part of its or his property, with intent to hinder, delay or defraud its or his creditors or any of them or made or suffered a transfer of any of its or his property that may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its or his property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall have suffered or permitted, while insolvent, any creditor to obtain a Lien upon any of its or his property through legal proceedings or distraint that is not vacated within sixty (60) days from the date thereof; or

Section 8.7 Judgments.

Any judgment against any Borrower or any Subsidiary or any attachment, levy or execution against any of its properties for any amount in excess of Two Hundred Fifty Thousand (\$250,000) Dollars shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of sixty (60) days or more; or

Section 8.8 ERISA.

(a) The termination of any Plan or the institution by the PBGC of proceedings for the involuntary termination of any Plan, in either case, by reason of, or that results or could result in, a "material accumulated funding deficiency" under Section 412 of the Code ; or

(b) Failure by any Borrower to make required contributions, in accordance with the applicable provisions of ERISA, to each of the Plans hereafter established or assumed by it; or

Section 8.9 Ownership of Stock.

Gerald Shreiber (or, in the event of his death, his estate, legal representative or heirs) shall at any time own, beneficially and of record, less than 10% in the aggregate of all of the issued and outstanding shares of Capital Stock of Parent having ordinary voting rights for the election of directors; or

Section 8.10 Management.

Gerald Shreiber shall cease for any reason whatsoever, including, without limitation, death or disability (as such disability shall be determined in the sole and absolute judgment of the Agent) to be and continuously perform the duties of chief executive officer of Parent or, if such cessation shall occur as a result of the death or such disability, no successor satisfactory to the Agent, in its sole discretion, shall have become and shall have commenced to perform the duties of chief executive officer of Parent within one hundred twenty (120) days after such cessation; provided, however, that if any satisfactory successor shall have been so elected and shall have commenced performance of such duties within such period, the name of such successor or successors shall be deemed to have been inserted in place of Gerald Shreiber in this Section 8.10.

The Agent

Section 9.1 Appointment, Powers and Immunities.

Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and under the other Loan Documents with such powers as are specifically delegated to the Agent by the terms of this Agreement and the other Loan Documents together with such other powers as are reasonably incidental thereto. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents and shall not be a trustee for any Bank. The Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement, or the other Loan Documents in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or the other Loan Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or for the collectibility of the Loans or for any failure by any Borrower or any of the other Loan Parties to perform any of its obligations hereunder or under the other Loan Documents. The Agent may employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or the other Loan Documents or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 9.2 Reliance by Agent.

The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement or the other Loan Documents, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or the other Loan Documents in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

Section 9.3 Events of Default.

The Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default (other than the non-payment of principal of or interest on Loans) unless the Agent has received notice from a Bank or a Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default or an Event of Default, the Agent shall give notice thereof to the Banks (and shall give each Bank notice of each such nonpayment). The Agent shall (subject to Section 9.7 hereof) take such action with respect to such Default or an Event of Default as shall be directed by the Required Banks.

Section 9.4 Rights as a Bank.

With respect to its Commitment and the Loans made by it, the Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrowers or their Affiliates, as if it were not acting as the Agent, and the Agent may accept fees and other consideration from the Borrowers or their Affiliates, for services in connection with this Agreement or any of the other Loan Documents or otherwise without having to account for the same to the Banks.

Section 9.5 Indemnification.

The Banks shall indemnify the Agent (to the extent not reimbursed by the Borrowers under Sections 10.1 and 10.2 hereof), ratably in accordance with the aggregate principal amount of the Loans made by the Banks (or, if no Loans are at the time outstanding, ratably in accordance with their respective Commitments), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any of the other Loan Documents or any other documents contemplated by or referred to herein or therein or the transactions contemplated by or referred to herein or therein or the transactions contemplated hereby and thereby (including, without limitation, the costs and expenses that the Borrowers are obligated to pay under Sections 10.1 and 10.2 hereof, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof, or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

Section 9.6 Non-Reliance on Agent and other Banks.

Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of each Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or the other Loan Documents. The Agent shall not be required to keep itself informed as to the performance or observance by any Borrower of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of any Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder or under the other Loan Documents, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of any Borrower, that may come into the possession of the Agent or any of its Affiliates.

Section 9.7 Failure to Act.

Except for action expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder unless it shall be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

Section 9.8 Resignation or Removal of Agent.

Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at anytime by giving not less than 30 days' prior written notice thereof to the Banks and a Borrower and the Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, after consultation with Parent, appoint a successor Agent which shall be a bank that has an office in New Jersey with a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article 9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

Section 9.9 Sharing of Payments.

(a) Prior to any acceleration by the Agent and the Banks of the Obligations:

(i) in the event that any Bank shall obtain payment in respect of a Note, or interest thereon, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against any Borrower or any other Loan Party or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the corresponding Note held by it, then the Bank so receiving such greater proportionate payment shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment with each Bank; and

(ii) in the event that any Bank shall obtain payment in respect of any Interest Rate Contract to which such Bank is a party, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against any Borrower or any other Loan Party or otherwise, such Bank shall be permitted to retain the full amount of such payment and shall not be required to share such payment with any other Bank.

(b) Upon or following any acceleration by the Agent and the Banks of the Obligations, in the event that any Bank shall obtain payment in respect of a Note, or interest thereon, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against any Borrower or any other Loan Party or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the aggregate amount of the corresponding Note held by such Bank and any Interest Rate Contract to which such Bank is a party, then the Bank so receiving such greater proportionate payment, shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan, as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment ratably with each Bank. For the purposes of this Section 9.9(b), payments on Notes received by each Bank shall be in the same proportion as the proportion of (A) the sum of: (x) the Obligations owing to such Bank in respect of the Note held by such Bank, plus (y) the Obligations owing to such Bank in respect of Interest Rate Contracts to which such Bank is party, if any, to (B) the sum of: (x) the Obligations owing to all of the Banks in respect of all of the Notes, plus (y) the Obligations owing to all of the Banks in respect of all Interest Rate Contracts to which any Bank is a party; provided, however, that, with respect to Sections 9.9(a)(i) and (b) above, if all or any portion of such excess payment or benefits is thereafter recovered from the Bank that received the proportionate overpayment, such purchase of Loans or payment of benefits, as the case may be, shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

Miscellaneous Provisions**Section 10.1 Fees and Expenses; Indemnity.**

The Borrowers will, jointly and severally, promptly pay all costs of the Agent in preparing the Loan Documents and all costs and expenses of the issue of the Notes and of the Borrowers' and the other Loan Parties' performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with (including, without limitation, all costs of filing or recording any assignments, mortgages, financing statements and other documents and all appraisal and environmental review fees and expenses), and the reasonable fees and expenses and disbursements of counsel to the Agent in connection with the preparation, execution and delivery, administration, interpretation and enforcement of this Agreement, the other Loan Documents and all other agreements, instruments and documents relating to this transaction, the consummation of the transactions contemplated by all such documents, the preservation of all rights of the Banks and the Agent, the negotiation, preparation, execution and delivery of any amendment, modification or supplement of or to, or any consent or waiver under, any such document (or any such instrument that is proposed but not executed and delivered) and with any claim or action threatened, made or brought against any of the Banks or the Agent arising out of or relating to any extent to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby (other than a claim or action resulting from the gross negligence, willful misconduct, or intentional violation of law by the Agent and or the Banks as determined by a court of competent jurisdiction by final and nonappealable judgment). In addition, the Borrowers will, jointly and severally, promptly pay all costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) suffered or incurred by each Bank in connection with its enforcement of the payment of the Notes held by it or any other sum due to it under this Agreement or any of the other Loan Documents or any of its other rights hereunder or thereunder. In addition to the foregoing, each Borrower shall indemnify each Bank and the Agent and each of their respective directors, officers, employees, attorneys, agents and Affiliates against, and hold each of them harmless from, any loss, liabilities, damages, claims, costs and expenses (including reasonable attorneys' fees and disbursements) suffered or incurred by any of them arising out of, resulting from or in any manner connected with, the execution, delivery and performance of each of the Loan Documents, the Loans and any and all transactions related to or consummated in connection with the Loans (other than as a result of the gross negligence, willful misconduct or intentional violation of law by the Agent and/or the Banks as determined by a court of competent jurisdiction by final and nonappealable judgment), including, without limitation, losses, liabilities, damages, claims, costs and expenses suffered or incurred by any Bank or the Agent or any of their respective directors, officers, employees, attorneys, agents or Affiliates arising out of or related to any Environmental Liability or Environmental Proceeding, or in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise against the Agent, the Banks or any of their officers, directors, affiliates, agents or Affiliates, that is alleged to arise out of or is based upon: (i) any untrue statement or alleged untrue statement of any material fact of any Borrower and its affiliates in any document or schedule filed with the Securities and Exchange Commission or any other governmental body; (ii) any omission or alleged omission to state any material fact required to be stated in such document or schedule, or necessary to make the statements made therein, in light of the circumstances under which made, not misleading; (iii) any acts, practices or omission or alleged acts, practices or omissions of any Borrower or its agents related to the making of any acquisition, purchase of shares or assets pursuant thereto, financing of such purchases or the consummation of any other transactions contemplated by any such acquisitions that are alleged to be in violation of any federal securities law or of any other statute, regulation or other law of any jurisdiction applicable to the making of any such acquisition, the purchase of shares or assets pursuant thereto, the financing of such purchases or the consummation of the other transactions contemplated by any such acquisition; or (iv) any withdrawals, termination or cancellation of any such proposed acquisition for any reason whatsoever. The indemnity set forth herein shall be in addition to any other obligations or liabilities of the Borrowers to the Agent and the Banks hereunder or at common law or otherwise. The provisions of this Section 10.1 shall survive the payment of the Notes and the termination of this Agreement.

Section 10.2 Taxes.

If, under any law in effect on the date of the closing of any Loan hereunder, or under any retroactive provision of any law subsequently enacted, it shall be determined that any Federal, state or local tax is payable in respect of the issuance of any Note, then the Borrowers will pay any such tax and all interest and penalties, if any, and will indemnify the Banks and the Agent against and save each of them harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against any Bank or any other holder of a Note, such Bank, or such other holder, as the case may be, may notify a Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from the Borrower. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Borrowers in this Section 10.2 shall survive payment of the Notes and the termination of this Agreement.

Section 10.3 Payments.

(a) As set forth in Article 2 hereof, all payments by the Borrowers on account of principal, interest, fees and other charges (including any indemnities) shall be made to the Agent at the Principal Office of the Agent, in lawful money of the United States of America in immediately available funds, by wire transfer or otherwise, not later than 11:00 A.M. New Jersey time on the date such payment is due. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day and such extension shall be included in computing interest in connection with such payment. Upon payment in full of any Note, the Bank holding such Note shall mark the Note "Paid" and return it to a Borrower.

(b) All payments hereunder and under the Notes shall be made without set-off or counterclaim.

Section 10.4 Survival of Agreements and Representations; Construction.

All agreements, representations and warranties made herein shall survive the delivery of this Agreement and the Notes. The headings used in this Agreement and the table of contents are for convenience only and shall not be deemed to constitute a part hereof. All uses herein of the masculine gender or of singular or plural terms shall be deemed to include uses of the feminine or neuter gender, or plural or singular terms, as the context may require.

Section 10.5 Set-off of Deposits.

Each Borrower hereby agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances held by it at any of its offices against any principal of or interest on any of its Loans hereunder, or any Fee payable to it, that is not paid when due (regardless of whether such balances are then due to a Borrower), in which case it shall promptly notify a Borrower and the Agent thereof, provided that its failure to give such notice shall not affect the validity thereof. Furthermore, at any time, after the occurrence and during the continuance of any Event of Default, without demand or notice, the Agent or any Bank may set off any and all deposits or other sums at any time credited by or due from the Agent or any Bank or any Affiliate of the Agent or any Bank to the Borrower and/or any other Loan Party, whether now existing or hereafter arising, whether in regular or special depository accounts or otherwise or any part thereof and apply the same to any of the Obligations of the Borrowers and/or any other Loan Party even though unmatured and regardless of the adequacy of any other collateral securing the Obligations.

Section 10.6 Modifications, Consents and Waivers.

(a) Notwithstanding anything to the contrary contained in any Loan Document, with the written consent of the Required Banks, the Agent and the Borrowers may, from time to time, enter into written amendments, supplements or modifications thereof (provided, however, no such written consent of the Required Banks shall be required to effectuate any amendment, supplement or modification to any Loan Document required to be made in connection with any increase, reduction or increase of the Commitments effectuated pursuant to Section 2.8 hereof) and, with the consent of the Required Banks, the Agent on behalf of the Banks, may execute and deliver to any such parties a written instrument waiving or consenting to the departure from, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of the Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such amendment, supplement, modification, waiver or consent shall:

(i) without the written consent of all of the Banks (A) except as otherwise provided in Section 2.8(b) hereof, increase the Commitment of any Bank (B) extend the Credit Period, (C) reduce the rate or amount, or extend the time of payment, of any Fee, (D) reduce the rate or amount of, or extend the time of payment of, interest on any Loan or any Note, (E) reduce the amount, or extend the time of payment of any installment or other payment of principal on any Loan or any Note, (F) decrease or forgive the principal amount of any Loan or any Note, (G) consent to any assignment or delegation by any Borrower of any of its rights or obligations under any Loan Document; (H) change the provisions of Section 2.22, 2.24, 2.26 or this Section 10.6, (I) change the definition of "Required Banks", or any provision of this Agreement requiring the consent or approval of all the Banks, (J) change the several nature of the Banks' obligations, (K) change any provision governing the sharing of payments and liabilities among the Banks, or (L) release all or substantially all of the obligations of any Borrower under any Loan Document; and

(ii) without the written consent of the Agent, amend, modify or waive any provision of Article 9 or otherwise change any of the rights or obligations of the Agent under any Loan Document.

(b) No modification, amendment or waiver of or with respect to any provision of this Agreement, any Notes, or any of the other Loan Documents and all other agreements, instruments and documents delivered pursuant hereto or thereto, nor consent to any departure of any Borrower from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the Agent and the Banks whose consent is required as provided above. Upon full execution, any such amendment, supplement, modification, waiver or consent shall apply equally to the Agent, each Bank and each Borrower and shall be binding upon Borrower, the Banks, the Agent and all future holders of the Notes. In the case of any waiver, each Borrower, the Banks and the Agent shall be restored to their former position and rights hereunder and under the outstanding Notes and other Loan Documents to the extent provided for in such waiver, any such waiver or consent shall be effective only in the specific instance and for the purpose for which given and any Default or Event of Default waived shall not extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. No consent to or demand on any Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances.

Section 10.7 Remedies Cumulative, Counterclaims.

Each and every right granted to the Agent and the Banks hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Agent or any Bank or the holder of any Note to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the Obligations shall be without regard to any counterclaim, right of offset or any other claim whatsoever that any Borrower may have against any Bank or the Agent and without regard to any other obligation of any nature whatsoever that any Bank or the Agent may have to any Borrower, and no such counterclaim or offset shall be asserted by any Borrower (unless such counterclaim or offset would, under applicable law, be permanently and irrevocably lost if not brought in such action) in any action, suit or proceeding instituted by any Bank or the Agent for payment or performance of the Obligations.

Section 10.8 Further Assurances.

At any time and from time to time, upon the request of the Agent, each Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as the Agent may reasonably request in order to fully effect the purposes of this Agreement, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans.

Section 10.9 Notices.

All notices, requests, reports and other communications pursuant to this Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by certified mail, return receipt requested, except for routine reports delivered in compliance with Article 5 hereof which may be sent by ordinary first-class mail) or telegram or telecopy, addressed as follows:

(a) If to any Borrower:

c/o J & J Snack Foods Corp.
6000 Central Highway
Pennsauken, NJ 08109
Attention: Mr. Dennis G. Moore, Chief Financial Officer
Telecopier No.: (856) 488-7587

with a copy to:

Blank Rome LLP
Woodland Falls Corporate Park
210 Lake Drive East, Suite 200
Cherry Hill, NJ 08002
Attention: A. Fred Ruttenberg, Esq.
Telecopier No.: (856) 779-6140

(b) If to any Bank:

To its address set forth below its
name on the signature pages hereof,
with a copy to the Agent; and

(c) If to the Agent:

Citizens Bank of Pennsylvania, as Agent
Citizens Corporate Financing
Citizens Gateway Center
3025 Chemical Road, Suite 300
Plymouth Meeting, PA 19462-1739
Attention: Devon L. Starks
Telecopier No.: (610) 941-4136

with a copy (other than in the case
of Borrowing Notices and reports
and other documents delivered in
compliance with Article 5 hereof) to:

Archer & Greiner, P.C.
One Centennial Square
Haddonfield, New Jersey 08033
Attention: Terence J. Fox, Esq.
Telecopier No.: (856) 354-3030

Any notice, request, demand or other communication hereunder shall be deemed to have been given on: (x) the day on which it is telecopied to such party at its telecopier number specified above (provided such notice shall be effective only if followed by one of the other methods of delivery set forth herein) or delivered by receipted hand or such commercial messenger service to such party at its address specified above, or (y) on the third Business Day after the day deposited in the mail, postage prepaid, if sent by mail, or (z) on the day it is delivered to the telegraph company, addressed as aforesaid, if sent by telegraph. Any party hereto may change the person, address or telecopier number to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however that any such notice shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

Section 10.10 Counterparts.

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 10.11 Severability.

The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Agreement is independent and compliance by the Borrowers with any of them shall not excuse non-compliance by the Borrowers with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 10.12 Binding Effect; No Assignment or Delegation by Borrowers.

This Agreement shall be binding upon and inure to the benefit of each Borrower and its successors and to the benefit of the Banks and the Agent and their respective successors and assigns. The rights and obligations of the Borrowers under this Agreement shall not be assigned or delegated without the prior written consent of the Agent, and any purported assignment or delegation without such consent shall be void.

Section 10.13 Assignments and Participations by Banks.

(a) Each Bank may, with the prior written consent of the Agent, the Borrowers and any Bank whose then outstanding Commitment is equal to or greater than fifty (50%) of more of the aggregate then outstanding Commitments (which such consents shall not be unreasonably withheld), provided that, at any time a Default or Event of Default has occurred and is continuing, the prior consent of any Borrower shall not be required), assign to one or more banks or other entities (other than a Bank or a Federal Reserve Bank) all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note or Notes held by it); provided however, that: (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000 for amounts in excess thereof, and (iii) each such assignment shall be to an Eligible Assignee. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least two Business Days after the execution thereof. (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) Each Bank may, with the prior written consent of the Agent (which consent shall not be unreasonably withheld), assign to one or more Affiliates of such Bank all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note or Notes held by it); provided however, that: (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000 for amounts in excess thereof, and (iii) each such assignment shall be to an Eligible Assignee. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least two Business Days after the execution thereof. (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(c) Each Bank may assign to one or more Banks all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note or Notes held by it); provided however, that: (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, and (ii) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000 for amounts in excess thereof. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least two Business Days after the execution thereof. (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, and payment to the Agent of an assignment processing fee in the amount of \$3,500.00 per assignment, the Agent shall: (i) accept such Assignment and Acceptance, and (ii) give prompt notice thereof to a Borrower. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Note shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-2 hereto.

(f) Each Bank may, without the prior consent of the other Banks or any Borrower, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment), the Loans owing to it, and the Note held by it; provided, however, that: (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note for all purposes of this Agreement, and (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.13, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers furnished to such Bank by or on behalf of the Borrowers; provided that prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrowers received by it from such Bank.

(h) Anything in this Section 10.13 to the contrary notwithstanding, any Bank may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

Section 10.14 Delivery of Tax Forms.

Each Bank that is not organized under the laws of the United States or a state thereof shall:

(a) deliver to a Borrower and the Agent, on or prior to the date of the execution and delivery of this Agreement: (i) two accurate and duly completed executed copies of United States IRS Form 1001 or 4224, or successor applicable form, as the case may be, and (ii) an accurate and complete IRS Form W-8 or W-9, or successor applicable form, as the case may be;

(b) deliver to a Borrower and the Agent two further accurate and complete executed copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to a Borrower; and

(c) obtain such extensions of time for filing and completing such forms or certifications as may reasonably be requested by a Borrower or the Agent; unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank so advises a Borrower and the Agent. Such Bank shall certify: (i) in the case of a Form 1001 or 4224 that is required pursuant to subsection 10.14(a), that it is entitled to receive payments under this Agreement without deduction or withholding of any United States Federal income taxes; (ii) in the case of an IRS Form 1001 or 4224, that is provided pursuant to subsection 10.14(b), to the extent legally entitled to do so, that it is entitled to receive payments under this Agreement without, or at a reduced rate of, deduction or withholding of any United States Federal income taxes; and (iii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person not organized under the laws of the United States or a state thereof that is an assignee hereunder shall, prior to the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this Section 10.14.

Section 10.15 GOVERNING LAW; CONSENT TO JURISDICTION, WAIVER OF TRIAL BY JURY.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HERewith AND THEREWITH, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

(b) EACH BORROWER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, AND EACH OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY COURT OF THE COMMONWEALTH OF PENNSYLVANIA, OR IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA. EACH BORROWER, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 10.9 HEREOF. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. NO BORROWER SHALL BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE COMMONWEALTH OF PENNSYLVANIA UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. NOTHING IN THIS SECTION 10.15 SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF ANY BANK TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY BORROWER IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY PERMITTED BY LAW.

(c) EACH BORROWER, THE AGENT AND THE BANKS (BY ACCEPTANCE OF THE NOTES) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY, AND EACH BORROWER WAIVES THE RIGHT TO INTERPOSE ANY SETOFF OR COUNTERCLAIM, IN EACH CASE IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OR DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE AGENT OR ANY BANK RELATING TO THE ADMINISTRATION OF THE LOANS AND/OR ANY OTHER CREDIT FACILITIES HEREUNDER OR THE ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

Section 10.16 Entire Agreement.

This Agreement and the other Loan Documents are intended by the parties as the final, complete and exclusive statement of the transactions evidenced thereby. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Agreement and such other Loan Documents, and no party is relying on any promise, agreement or understanding not set forth in this Agreement or such other Loan Documents. The Banks, the Agent and the Borrowers agree that the terms and conditions of this Agreement shall amend and restate in their entirety the terms and conditions of the Original Loan Agreement, and the Original Loan Agreement shall be of no further force and effect from and after the date hereof. In the event that any of the terms and conditions of this Agreement are inconsistent, in addition to, or in conflict with the terms and conditions of the Original Loan Agreement, or the terms and conditions of any other Loan Document entered into between the parties prior to the date hereof, are inconsistent, in addition to, or in conflict with this Agreement, the terms and conditions of this Agreement shall control and prevail.

Section 10.17 Interest Adjustment.

All Loan Documents are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to a Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then the Loan Documents shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of each Borrower, the Agent and the Banks in the execution, delivery and acceptance of this Agreement to contract in strict compliance with the laws of the Commonwealth of Pennsylvania from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Loan Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever a Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced by a Note (in such manner as such Bank may determine in its sole discretion) and not to the payment of interest. This provision shall control every other provision of each of the Loan Documents.

Section 10.18 Lost Notes.

Upon receipt of an affidavit of an officer of any Bank as to the loss, theft, destruction or mutilation of any Note payable to such Bank or any other Loan Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other Loan Document, each Borrower will issue, in lieu thereof, a replacement Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

Section 10.19 Joint and Several Basis; Notices Binding.

All Obligations of the Borrowers to the Agent and/or Bank under or in any way connected with the Loan Documents shall be on a joint and several basis and each Borrower shall be jointly and severally liable for all such Obligations. It is expressly agreed that any notice sent by one or more Borrowers to the Agent and/or any Bank shall be binding on all the Borrowers and any notice sent by the Agent and/or any Bank to one or more Borrowers shall be binding upon each Borrower.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES AND EXHIBITS FOLLOW]

PARENT:

J & J SNACK FOODS CORP.

By:

Name: Dennis G. Moore
Title: Senior Vice President

SUBSIDIARY BORROWERS:

BAKERS BEST SNACK FOODS CORP.
FEDERAL PBC COMPANY
THE ICEE COMPANY
J&J RESTAURANT GROUP, L.L.C.
J&J SNACK FOODS SALES CORP.
J&J SNACK FOODS CORP. OF PENNSYLVANIA
J&J SNACK FOODS TRANSPORT CORP.
J&J SNACK FOODS CORP. OF CALIFORNIA
J&J SNACK FOODS INVESTMENT CORP.
J&J SNACK FOODS CORP./MIDWEST
J&J SNACK FOODS CORP./MIA
COUNTRY HOME BAKERS, INC.
PRETZELS, INC.

By:

Name: Dennis G. Moore
Title: Vice President of each of the above Subsidiary Borrowers

Commitment:

\$25,000,000.00

**Citizens Bank of Pennsylvania,
as Agent and as a Bank**

By:

Name: Devon L. Starks
Title: Senior Vice President

Lending Office for ABR
Loans and LIBOR Loans:
Citizens Bank of Pennsylvania
Citizens Corporate Financing
Citizens Gateway Center
3025 Chemical Road, Suite 300
Plymouth Meeting, PA 19462-1739
Attention: Devon L. Starks
Telecopier No.: (610) 941-4136

Address for Notices:

Citizens Bank of Pennsylvania
Citizens Corporate Financing
Citizens Gateway Center
3025 Chemical Road, Suite 300
Plymouth Meeting, PA 19462-1739
Attention: Devon L. Starks
Telecopier No.: (610) 941-4136

Commitment:

\$25,000,000.00

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as a Bank**

By:

Name: Dante J. Bucci
Title: Senior Vice President

Lending Office for ABR
Loans and LIBOR Loans:
Wachovia Bank, National Association
Commercial Banking
600 Cuthbert Boulevard
Haddon Township, New Jersey 08108
Attention: Dante J. Bucci
Telecopier No.: (856) 858-7622

Address for Notices:
Wachovia Bank, National Association
Commercial Banking
600 Cuthbert Boulevard
Haddon Township, New Jersey 08108
Attention: Dante J. Bucci
Telecopier No.: (856) 858-7622

**EXHIBITS AND SCHEDULES TO
LOAN AGREEMENT
BY AND AMONG
J & J SNACK FOODS CORP.,
THE SUBSIDIARY BORROWERS SIGNATORY HERETO,
THE BANKS SIGNATORY HERETO
AND
CITIZENS BANK OF PENNSYLVANIA AS AGENT**

EXHIBITS

- A-1 Form of Amended and Restated Note for Existing Banks
- A-2 Form of Note for Additional Banks
- B Form of Assignment and Acceptance
- C Form of Joinder

SCHEDULES

- 3.1 States of Incorporation and Qualification, and Capitalization and Ownership of Stock, of each Borrower and Subsidiaries; Primary Subsidiary Borrowers
 - 3.2 Consents, Waivers, Approvals; Violation of Agreements
 - 3.6 Judgments, Actions, Proceedings
 - 3.7 Defaults; Compliance with Laws, Regulations, Agreements
 - 3.8 Burdensome Documents
 - 3.16 Labor Disputes; Collective Bargaining Agreements; Employee Grievances
 - 3.18 Pension Plans
 - 7.1 Permitted Indebtedness and Guaranties
 - 7.2 Permitted Liens and Encumbrances
-

**EXHIBIT A-1
TO LOAN AGREEMENT
BY AND AMONG
J & J SNACK FOODS CORP.,
THE SUBSIDIARY BORROWERS SIGNATORY HERETO,
THE BANKS SIGNATORY HERETO
AND
CITIZENS BANK OF PENNSYLVANIA, AS AGENT

FORM OF AMENDED AND RESTATED NOTE**

See attached

**EXHIBIT A-2
TO LOAN AGREEMENT
BY AND AMONG
J & J SNACK FOODS CORP.,
THE SUBSIDIARY BORROWERS SIGNATORY HERETO,
THE BANKS SIGNATORY HERETO
AND
CITIZENS BANK OF PENNSYLVANIA, AS AGENT

FORM OF AMENDED AND RESTATED NOTE**

See attached

**EXHIBIT B
TO LOAN AGREEMENT
BY AND AMONG
J & J SNACK FOODS CORP.,
THE SUBSIDIARY BORROWERS SIGNATORY HERETO,
THE BANKS SIGNATORY HERETO
AND
CITIZENS BANK OF PENNSYLVANIA, AS AGENT

FORM OF ASSIGNMENT AND ACCEPTANCE**

See attached

**EXHIBIT C
TO LOAN AGREEMENT
BY AND AMONG
J & J SNACK FOODS CORP.,
THE SUBSIDIARY BORROWERS SIGNATORY HERETO,
THE BANKS SIGNATORY HERETO
AND
CITIZENS BANK OF PENNSYLVANIA, AS AGENT**

FORM OF JOINDER

See attached

**ADOPTION AGREEMENT FOR
MFS RETIREMENT SERVICES, INC.
NON-STANDARDIZED 401(K) PROFIT SHARING
PLAN AND TRUST**

The undersigned Employer adopts the MFS Retirement Services, Inc. Prototype Non-Standardized 401(k) Profit Sharing Plan and Trust and elects the following provisions:

CAUTION: Failure to properly fill out this Adoption Agreement may result in disqualification of the Plan.

EMPLOYER INFORMATION (An amendment to the Adoption Agreement is not needed solely to reflect a change in the information in this Section.)

1. EMPLOYER'S NAME, ADDRESS AND TELEPHONE NUMBER

Name: J & J Snack Foods Corp.

Address: 6000 Central Highway

	Street		
Pennsauken		New Jersey	08109-9607
City		State	Zip

Telephone: (856) 665-9534

2. EMPLOYER'S TAXPAYER IDENTIFICATION NUMBER 22-1935537

3. TYPE OF ENTITY

- a. Corporation (including Tax-exempt or Non-profit Corporation).
- b. Professional Service Corporation.
- c. S Corporation.
- d. Limited Liability Company that is taxed as:
 - 1. a partnership or sole proprietorship.
 - 2. a Corporation.
 - 3. an S Corporation.
- e. Sole Proprietorship.
- f. Partnership (including Limited Liability).
- g. Other: _____

AND, the Employer is a member of...

- h. a controlled group?
- i. an affiliated service group?

4. EMPLOYER FISCAL YEAR means the 12 consecutive month period:

Beginning on October 1st (e.g., January 1st)
month day

and ending on September 30th
month day

PLAN INFORMATION

(An amendment to the Adoption Agreement is not needed solely to reflect a change in the information in items 9 through 11 of this Section.)

5. PLAN NAME:

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

6. EFFECTIVE DATE

- a. This is a new Plan effective as of _____ (hereinafter called the "Effective Date").
- b. This is an amendment and restatement of a previously established qualified Plan and Trust of the Employer which was originally effective September 30, 1973 (hereinafter called the "Effective Date"). The effective date of this amendment and restatement is September 1, 2004 .
- c. FOR GUST RESTATEMENTS: This is an amendment and restatement of a previously established qualified Plan and Trust of the Employer to bring the Plan into compliance with GUST (GATT, USERRA, SBJPA and TRA '97). The original Plan effective date was _____ (hereinafter called the "Effective Date"). Except as specifically provided in the Plan, the effective date of this amendment and restatement is _____. (Enter a date during the current Plan Year. The Plan contains appropriate retroactive effective dates with respect to provisions for the appropriate laws.)

7. PLAN YEAR means the 12 consecutive month period:

Beginning on January 1st (e.g., January 1st)
month day

and ending on December 31st
month day

except that there will be a short Plan Year:

- a. N/A
- b. beginning on _____ (e.g., July 1, 2000)

month day, year
and ending on _____

month day, year

8. VALUATION DATE means:

- a. Every day that the Trustee, any transfer agent appointed by the Trustee or the Employer, and any stock exchange used by such agent are open for business (daily valuation).
- b. Other (specify day or dates): _____

9. PLAN NUMBER assigned by the Employer (select one)

- a. 001.
- b. 002.
- c. 003.
- d. Other: _____

10. TRUSTEE(S): (Please complete either a., b., or c. and d. and e. if applicable)

- a. NAME(S) AND TITLE(S) OF INDIVIDUAL TRUSTEE(S):

NOTE: An Individual Trustee may not act as a Directed (Nondiscretionary) Trustee.

- b. NAME(S) OF BANK OR TRUST COMPANY TRUSTEE(S):

- c. MFS HERITAGE TRUST COMPANY (MHTC)

NOTE: MHTC serves only as Directed (Nondiscretionary) Trustee and only when all Plan investments are maintained on a participant recordkeeping system used by MFS Retirement Services, Inc. pursuant to a contract for recordkeeping and administrative support services and all other requirements imposed by MHTC are satisfied. The Plan Administrator is responsible for directing MHTC in the performance of the rights, powers, duties, and obligations of the Trustee, including, without limitation, those rights, powers, duties and obligations with respect to the investment and distribution of Plan assets.

d. AND, if b. above is completed, is the Trustee a Directed (Nondiscretionary) Trustee? (If so, Plan assets are invested in accordance with directions provided by the Plan Administrator).

1. Yes. 2. No. 3. N/A.

e. AND, shall a separate trust agreement be used with this Plan?

1. Yes. 2. No.

NOTE: If Yes, an executed copy of the trust agreement between the Trustee and the Employer must be attached to this Plan. The Plan and trust agreement will be read and construed together. The responsibilities, rights and powers of the Trustee shall be those specified in the trust agreement.

11. TRUSTEES' MAILING ADDRESS:

a. Use Employer Address and Telephone Number.

b. Use other Address:

Street		
_____	_____	_____
City	State	Zip

Telephone		

c. If MFS HERITAGE TRUST COMPANY is selected as trustee.

c/o RSI
P.O. Box 55274, Boston, MA 02205-5274

12. PLAN ADMINISTRATOR'S NAME, ADDRESS AND TELEPHONE NUMBER:

(If none is named, the Employer will become the Administrator.)

a. Employer (Use Employer address and telephone number).

b. Use name, address and telephone number below:

Name: _____
Address: _____

Street		
_____	_____	_____
City	State	Zip
Telephone: _____		

13. CONSTRUCTION OF PLAN AND TRUST

This Plan shall be governed by the Code, the Act and the laws of the state or commonwealth where the Employer's principal place of business is located unless another state or commonwealth is specified: New Jersey.

If one or more individuals are selected as individual Trustee(s) in Section 10 above, the Trust shall be governed by the Code, the Act and the laws of the state or commonwealth where the Employer's principal place of business is located unless another state or commonwealth is specified: New Jersey.

If a Corporate Trustee (other than MFS Heritage Trust Company) is selected as Trustee in Section 10 above, the Trust shall be governed by the Code, the Act and the laws of the state or commonwealth in which the corporate Trustee's principal office is located unless another state or commonwealth is specified: New Jersey.

If MFS Heritage Trust Company is selected as directed (nondiscretionary) Trustee in Section 10 above, the Trust shall be governed by the Code, the Act and the laws of the state of New Hampshire.

ELIGIBILITY REQUIREMENTS

14. ELIGIBLE EMPLOYEES (Plan Section 1.18)

For all purposes of the Plan (except as elected below) Eligible Employees are all Employees (including Leased Employees) except:

- a. N/A. No exclusions.
- b. The following are excluded (select all that apply):
 - 1. Union Employees (as defined in Plan Section 1.18)
 - 2. Non-resident aliens (as defined in Plan Section 1.18)
 - 3. Salaried Employees.
 - 4. Highly Compensated Employees.
 - 5. Leased Employees.
 - 6. Other (must not be based upon hours worked): Independent Contractors and any employee of a collective bargaining unit whose participation in the plan is NOT provided for under the terms of the collective bargaining agreement

However, for purposes of Employer Matching Contributions, Eligible Employees are all Employees (including Leased Employees) except:

- c. N/A. The option elected in either a. or b. above applies for Employer Matching Contributions.
- d. The following are excluded (select all that apply):
 - 1. Union Employees (as defined in Plan Section 1.18)
 - 2. Non-resident aliens (as defined in Plan Section 1.18)
 - 3. Salaried Employees
 - 4. Highly Compensated Employees
 - 5. Leased Employees
 - 6. Other (must not be based upon hours worked): _____

And, for purposes of Employer Profit Sharing Contributions, Eligible Employees are all Employees (including Leased Employees) except:

- e. N/A. The option elected in either a. or b. above applies for Employer Profit Sharing Contributions.
- f. No exclusions
- g. The following are excluded (select all that apply):
 - 1. Union Employees (as defined in Plan Section 1.18)
 - 2. Non-resident aliens (as defined in Plan Section 1.18)
 - 3. Salaried Employees
 - 4. Highly Compensated Employees
 - 5. Leased Employees
 - 6. Other (must not be based upon hours worked): _____

15. THE FOLLOWING AFFILIATED EMPLOYERS (Plan Section 1.6) will adopt this Plan as Participating Employers (if there is more than one, or if Affiliated Employers adopt this Plan after the date the Adoption Agreement is executed, attach additional executed "Affiliated Employer Participation Agreement(s)" to this Adoption Agreement):

- a. N/A
- b. Name of Employer: Country Home Bakers
Address: 6000 Central Highway
City: Pennsauken State: New Jersey Zip: 08109
Telephone: 856-665-9534 Federal Tax Identification Number: 30-0220338

Type of Entity (select one):

- c. Corporation (including Tax-exempt or Non-profit Corporation)
- d. Professional Service Corporation
- e. S Corporation

- f. Limited Liability Company
- g. Sole Proprietorship
- h. Partnership (including Limited Liability Partnership)
- i. Other: _____

NOTE: Employees of an Affiliated Employer that does not adopt this Adoption Agreement as a Participating Employer shall not be Eligible Employees. This Plan could violate the Code Section 410(b) coverage rules if all Affiliated Employers do not adopt the Plan.

16. CONDITIONS OF ELIGIBILITY (Plan Section 3.1)

Any Eligible Employee will be eligible to participate in the Plan upon satisfaction of the following:

NOTE: If the Year(s) of Service selected is or includes a fractional year, an Employee will not be required to complete any specified number of Hours of Service to receive credit for such fractional year. If expressed in months of service, an Employee will not be required to complete any specified number of Hours of Service in a particular month, unless elected below.

Eligibility for all purposes of the Plan (except as elected below):

- a. No age or service required. (skip b. and c. below)
- b. Completion of the following service requirement which is based on Years of Service (or Periods of Service if the Elapsed Time Method is elected):
 - 1. No service requirement
 - 2. 1/2 Year of Service or Period of Service
 - 3. 1 Year of Service or Period of Service
 - 4. _____ Hours of Service within _____ months from the Eligible Employee's employment commencement date, but in no event more than 1 Year of Service.
 - 5. Other: _____ (may not exceed one (1) Year of Service or Period of Service)
- c. Attainment of age:
 - 1. No Age Requirement
 - 2. 20 1/2
 - 3. 21
 - 4. Other: _____ (may not exceed 21)
- d. The service and/or age requirements specified above shall be waived with respect to any Eligible Employee who was employed on _____ and such Eligible Employee shall enter the Plan as of such date. The requirements to be waived are (select one or both):
 - 1. service requirement
 - 2. age requirement

NOTE: If d. is elected, the Plan may violate the nondiscrimination rules.

However, the following eligibility requirements will apply for purposes of Employer Matching Contributions:

- e. N/A. The options elected in a. – d. above apply for Employer Matching Contributions.
- f. No age or service requirements. (skip g. and h. below)
- g. Completion of the following service requirement which is based on Years of Service (or Periods of Service if the Elapsed Time Method is elected):
 - 1. No service requirement
 - 2. 1/2 Year of Service or Period of Service
 - 3. 1 Year of Service or Period of Service
 - 4. _____ Hours of Service within _____ months from the Eligible Employee's employment commencement date, but in no event more than 1 Year of Service.
 - 5. 2 Years of Service or Periods of Service
 - 6. Other: _____ (may not exceed two (2) Years of Service or Periods of Service)
- h. Attainment of age:
 - 1. No Age Requirement
 - 2. 20 1/2
 - 3. 21
 - 4. Other: _____ (may not exceed 21)
- i. The service and/or age requirements specified above shall be waived with respect to any Eligible Employee who was employed on _____ and such Eligible Employee shall enter the Plan as of such date. The requirements to be waived are (select one or both):
 - 1. service requirement
 - 2. age requirement

NOTE: If more than 1 Year of Service is elected, 100% immediate vesting is required. Also, if i. is elected, the Plan may

violate the nondiscrimination rules.

And, the following eligibility requirements will apply for purposes of Employer Profit Sharing Contributions:

- j. N/A. The options elected in a. – d. above apply for Employer Profit Sharing Contributions.
- k. No age or service requirements (skip l. and m. below).
- l. Completion of the following service requirement which is based on Years of Service (or Periods of Service if the Elapsed Time Method is elected):
 - 1. No service requirement
 - 2. 1/2 Year of Service or Period of Service
 - 3. 1 Year of Service or Period of Service
 - 4. _____ Hours of Service within _____ months from the Eligible Employee's employment commencement date, but in no event more than 1 Year of Service.
 - 5. 2 Years of Service or Periods of Service
 - 6. Other: _____ (may not exceed two (2) Years of Service or Periods of Service)
- m. Attainment of age:
 - 1. No Age Requirement
 - 2. 20 1/2
 - 3. 21
 - 4. Other: _____ (may not exceed 21)
- n. The service and/or age requirements specified above shall be waived with respect to any Eligible Employee who was employed on _____ and such Eligible Employee shall enter the Plan as of such date. The requirements to be waived are (select one or both):
 - 1. service requirement
 - 2. age requirement

NOTE: If more than 1 Year of Service is elected, 100% immediate vesting is required. Also, if n. is elected, the Plan may violate the nondiscrimination rules.

17. EFFECTIVE DATE OF PARTICIPATION (Plan Section 3.2)

An Eligible Employee who has satisfied the applicable eligibility requirements will become a Participant for all purposes of the Plan (except as elected below) on (select one):

- a. the day on which such requirements are satisfied.
- b. the first day of the month coinciding with or next following the date on which such requirements are satisfied.
- c. the first day of the Plan Year quarter coinciding with or next following the date on which such requirements are satisfied.
- d. the earlier of the first day of the seventh month or the first day of the Plan Year coinciding with or next following the date on which such requirements are satisfied.
- e. the first day of the Plan Year next following the date on which such requirements are satisfied. (Eligibility must be 1/2 Year of Service (or Period of Service) or less and age must be 20 1/2 or less.)
- f. Other: _____, provided that an Eligible Employee who has satisfied the maximum age 21 and service requirements (one (1) Year or Period of Service) and who is otherwise entitled to participate, shall commence participation no later than the earlier of (a) 6 months after such requirements are satisfied, or (b) the first day of the first Plan Year after such requirements are satisfied, unless the Employee separates from service before such participation date.

However, an Eligible Employee who has satisfied the applicable eligibility requirements will become a Participant for purposes of Employer Matching Contributions on (select one):

- g. N/A. The options elected in a. – f. above apply for Employer Matching Contributions.
- h. the day on which such requirements are satisfied.
- i. the first day of the month coinciding with or next following the date on which such requirements are satisfied.
- j. the first day of the Plan Year quarter coinciding with or following the date on which such requirements are satisfied.
- k. the first day of the Plan Year in which such requirements are satisfied.
- l. the first day of the Plan Year in which such requirements are satisfied, if such requirements are satisfied in the first 6 months of the Plan Year, or as of the first day of the next succeeding Plan Year if such requirements are satisfied in the last 6 months of the Plan Year.
- m. the earlier of the first day of the seventh month or the first day of the Plan Year coinciding with or next following the date on which such requirements are satisfied.
- n. the first day of the Plan Year next following the date on which such requirements are satisfied, (Eligibility must be 1/2 Year of Service (or Period of Service) or less and age 20 1/2 or less.)
- o. Other: _____, provided that an Eligible Employee who has satisfied the maximum age 21 and service requirements (one (1) Year or Period of Service (or more than one (1) year if full and immediate vesting)) and who is otherwise entitled to participate, shall commence participation no later than the earlier of (a) 6 months after such requirements are satisfied, or (b) the first day of the first Plan Year after such requirements are satisfied, unless the Employee separates from service before such participation date.

And, an Eligible Employee who has satisfied the applicable eligibility requirements will become a Participant for purposes of Employer Profit Sharing Contributions on (select one):

- p. N/A. The options elected in a. – f. above apply for Employer Profit Sharing Contributions.
- q. the day on which such requirements are satisfied.
- r. the first day of the month coinciding with or next following the date on which such requirements are satisfied.
- s. the first day of the Plan Year quarter coinciding with or following the date on which such requirements are satisfied.
- t. the first day of the Plan Year in which such requirements are satisfied.
- u. the first day of the Plan Year in which such requirements are satisfied, if such requirements are satisfied in the first 6 months of the Plan Year, or as of the first day of the next succeeding Plan Year if such requirements are satisfied in the last 6 months of the Plan Year.
- v. the earlier of the first day of the seventh month or the first day of the Plan Year coinciding with or next following the date on which such requirements are satisfied.
- w. the first day of the Plan Year next following the date on which such requirements are satisfied, (Eligibility must be 1/2 Year of Service (or Period of Service) or less and age 20 1/2 or less.)
- x. Other: _____, provided that an Eligible Employee who has satisfied the maximum age 21 and service requirements (one (1) Year or Period of Service (or more than one (1) year if full and immediate vesting)) and who is otherwise entitled to participate, shall commence participation no later than the earlier of (a) 6 months after such requirements are satisfied, or (b) the first day of the first Plan Year after such requirements are satisfied, unless the Employee separates from service before such participation date.

SERVICE

18. RECOGNITION OF SERVICE WITH PREDECESSOR EMPLOYER

- a. No service with a predecessor employer shall be recognized.
- b. Service with:
1. Bavarian Soft Pretzels, Inc. will be recognized except as follows (select a. or all that apply of b. through d.):
 - a. N/A, no limitations.
 - b. service will only be recognized for vesting purposes.
 - c. service will only be recognized for eligibility purposes.
 - d. service prior to _____ will not be recognized.
 2. Country Home Bakers, Inc. will be recognized except as follows (select a. or all that apply of b. through d.):
 - a. N/A, no limitations.
 - b. service will only be recognized for vesting purposes.
 - c. service will only be recognized for eligibility purposes.
 - d. service prior to _____ will not be recognized.

NOTE: If the predecessor Employer maintained this qualified Plan or maintained a qualified plan that has been merged with this qualified Plan, then Years of Service (and/or Periods of Service) with such predecessor Employer shall be recognized pursuant to Plan Sections 1.57 and 1.85 and b(1) above must be marked. Attach additional sections for other predecessor Employers.

19. SERVICE CREDITING METHOD

Elapsed Time Method (If the Plan only uses the Hours of Service Method, skip to d. – h. below)

- a. Shall be used for all money types under the Plan (except as selected below) for purposes of:
1. eligibility to participate.
 2. vesting.
 3. sharing in allocations or contributions.
- b. However, for Employer Matching Contributions, the Elapsed Time Method shall be used for purposes of:
1. N/A. The options elected in a. above apply for Employer Matching Contributions.
 2. N/A. The Hours of Service Method will be used for Employer Matching Contributions as selected in 19(d) – (h) below.
 3. eligibility to participate.
 4. vesting.
 5. sharing in allocations or contributions.
- c. And, for Employer Profit Sharing Contributions, the Elapsed Time Method shall be used for purposes of:
1. N/A. The options elected in a. above apply for Employer Profit Sharing Contributions.
 2. N/A. The Hours of Service Method will be used for Employer Profit Sharing Contributions as selected in 19(d) – (h) below.
 3. eligibility to participate.
 4. vesting.
 5. sharing in allocations or contributions.

Hours of Service Method. (If the Plan only uses the Elapsed Time Method, skip to 20., Vesting)

- d. Shall be used for all money types under the Plan (except as selected below) for purposes of:
1. Eligibility Computation. The eligibility computation period after the initial eligibility computation period shall...
 - a. be based on the date an Employee first performs an Hour of Service (initial computation period) and subsequent computation periods shall be based on each anniversary date thereof.
 - b. shift to the Plan Year after the initial computation period.
 2. Vesting. The vesting computation period shall be...
 - a. the date an Employee first performs an Hour of Service and each anniversary thereof.
 - b. the Plan Year.
 3. Sharing in Allocations or Contributions (the computation period shall be the Plan Year).

- e. However, for Employer Matching Contributions, the Hours of Service Method shall be used for purposes of:
1. N/A. The options elected in d. above apply for Employer Matching Contributions.
 2. N/A. The Elapsed Time Method will be used for Employer Matching Contributions as selected in 19(a) – (c) above.
 3. Eligibility Computation. The eligibility computation period after the initial eligibility computation period shall...
 - a. be based on the date an Employee first performs an Hour of Service (initial computation period) and subsequent computation periods shall be based on each anniversary date thereof.
 - b. shift to the Plan Year after the initial computation period.
 4. Vesting. The vesting computation period shall be...
 - a. the date an Employee first performs an Hour of Service and each anniversary thereof.
 - b. the Plan Year.
 5. Sharing in Allocations or Contributions (the computation period shall be the Plan Year).
- f. And, for Employer Profit Sharing Contributions, the Hours of Service Method shall be used for purposes of:
1. N/A. The options elected in d. above apply for Employer Profit Sharing Contributions.
 2. N/A. The Elapsed Time Method will be used for Employer Profit Sharing Contributions as selected in 19(a) – (c) above.
 3. Eligibility Computation. The eligibility computation period after the initial eligibility computation period shall...
 - a. be based on the date an Employee first performs an Hour of Service (initial computation period) and subsequent computation periods shall be based on each anniversary date thereof.
 - b. shift to the Plan Year after the initial computation period.
 4. Vesting. The vesting computation period shall be...
 - a. the date an Employee first performs an Hour of Service and each anniversary thereof.
 - b. the Plan Year.
 5. Sharing in Allocations or Contributions (the computation period shall be the Plan Year).
- g. And, if the Hours of Service Method is being used, the Hours of Service will be determined on the basis of the method selected below. Only one method may be selected. The method selected below will be applied to :
1. all Employees.
 2. salaried Employees only (for hourly Employees, actual Hours of Service will be used).
- On the basis of:
3. actual hours for which an Employee is paid or entitled to payment.
 4. days worked. An Employee will be credited with ten Hours of Service if under the Plan such Employee would be credited with at least one Hour of Service during the day.
 5. weeks worked. An Employee will be credited with forty-five Hours of Service if under the Plan such Employee would be credited with at least one Hour of Service during the week.
 6. semi-monthly payroll periods. An Employee will be credited with ninety-five Hours of Service if under the Plan such Employee would be credited with at least one Hour of Service during the semi-monthly payroll period.
 7. months worked. An Employee will be credited with one hundred ninety Hours of Service if under the Plan such Employee would be credited with at least one Hour of Service during the month.
- h. And, a Year of Service means the applicable computation period during which an Employee has completed at least 1,000 (may not be more than 1,000) Hours of Service (if left blank, the Plan will use 1,000 Hours of Service).

VESTING

20. VESTING OF PARTICIPANT'S INTEREST (Plan Section 6.4(b))

Vesting for Employer Contributions (except as otherwise elected in 20(j) – (s) below for Employer Matching Contributions). The vesting schedule, based on a Participant's Years of Service (or Periods of Service if the Elapsed Time Method is elected), shall be as follows:

- a. N/A. No Employer Contributions.
- b. 100% upon entering Plan. (Required if eligibility requirement is greater than one (1) Year of Service or Period of Service.)
- c. 3 Year Cliff:

0-2 years	0 %
3 years	100 %
- d. 5 Year Cliff:

0-4 years	0 %
5 years	100 %
- e. 6 Year Graded:

0-1 year	0 %
2 years	20 %
3 years	40 %
4 years	60 %
5 years	80 %
6 years	100 %
- f. 4 Year Graded:

1 year	25 %
2 years	50 %
3 years	75 %
4 years	100 %
- g. 5 Year Graded:

1 year	20 %
2 years	40 %
3 years	60 %
4 years	80 %
5 years	100 %
- h. 7 Year Graded:

0-2 years	0 %
3 years	20 %
4 years	40 %
5 years	60 %
6 years	80 %
7 years	100 %

i. Other - Must be at least as liberal as either d. or h. above.

Service	Percentage
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____

VESTING FOR EMPLOYER MATCHING CONTRIBUTIONS

The vesting schedule for Employer matching contributions, based on a Participant's Years of Service (or Periods of Service if the Elapsed Time Method is elected) shall be as follows:

- j. N/A. No Employer Matching Contributions.
- k. N/A. The schedule in 20(a) – (i) above shall also apply to Employer Matching Contributions.
- l. 100% upon entering Plan. (Required if eligibility requirement is greater than one (1) Year of Service or Period of Service.)
- m. 3 Year Cliff
- n. 5 Year Cliff
- o. 6 Year Graded
- p. 4 Year Graded
- q. 5 Year Graded
- r. 7 Year Graded
- s. Other - Must be at least as liberal as either n. or r. above.

Service	Percentage
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____

21 .

FOR AMENDED PLANS (Plan Section 6.4(f)) If the vesting schedule has been amended to a less favorable schedule, enter the pre-amended schedule below:

- a. Vesting schedule has not been amended, amended schedule is more favorable in all years or prior schedule was immediate 100% vesting.
 - b. Pre-amended schedule for all Employer Contributions except for Employer Profit Sharing Contributions, Employer Matching Contributions, N/A
- Other: Prior to January 1, 2002, Employer Matching Contributions vested according to the following 7 Year Graded schedule:

Service	Percentage
1. 0-2 years	0%
2. 3 years	20%
3. 4 years	40%
4. 5 years	60%
5. 6 years	80%
6. 7 years	100%
7. _____	_____

22. TOP HEAVY VESTING (Plan Section 6.4(c)) If this Plan becomes a Top Heavy Plan, the following vesting schedule, based on number of Years of Service (or Periods of Service if the Elapsed Time Method is elected), shall apply and shall be treated as a Plan amendment pursuant to this Plan. Once effective, this schedule shall also apply to any contributions made before the Plan became a Top Heavy Plan and shall continue to apply if the Plan ceases to be a Top Heavy Plan unless an amendment is made to change the vesting schedule.
- a. N/A (the regular vesting schedule(s) already satisfies one of the minimum top heavy schedules.)
 - b. 6 Year Graded
 - c. 3 Year Cliff
 - d. Other - Must be at least as liberal as either b. or c. above.

Service	Percentage
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____

NOTE: This Section does not apply to the account balances of any Participant who does not have an Hour of Service after the Plan has initially become top heavy. Such Participant's Account balance attributable to Employer contributions and Forfeitures will be determined without regard to this Section.

23. FOR VESTING PURPOSES, Years of Service (or Periods of Service) attributable to the following shall be excluded (select all that apply):
- a. No exclusions.
 - a. Service prior to the Effective Date of the Plan or a predecessor plan.
 - a. Service prior to the time an Employee has attained age 18.

24. VESTING FOR DEATH AND TOTAL AND PERMANENT DISABILITY

Regardless of the vesting schedule(s), Participants shall become fully Vested upon (select a. or all that apply of b. and c.)

- a. N/A. Apply vesting schedule(s).
- b. Death.
- c. Total and Permanent Disability.

25. NORMAL RETIREMENT AGE ("NRA") (Plan Section 1.45) means the:

- a. date of a Participant's 65th birthday (not to exceed 65th).
- b. later of a Participant's _____ birthday (not to exceed 65th) or the _____ (not to exceed 5th) anniversary of the:
 - 1. first day of the Plan Year in which participation in the Plan commenced.
 - 2. Participant's date of hire.

26. NORMAL RETIREMENT DATE (Plan Section 1.46) means the:

- a. Participant's "NRA."
- b. first day of the month...
 - 1. coinciding with or next following the Participant's "NRA."
 - 2. nearest the Participant's "NRA."
- c. Anniversary Date (Plan Section 1.7)...
 - 1. coinciding with or next following the Participant's "NRA."
 - 2. nearest the Participant's "NRA."

27. EARLY RETIREMENT DATE (Plan Section 1.15).









a. Early retirement date means the:

1. No Early Retirement provision provided.




2. date on which a Participant...

a. attains age _____

b. attains age _____ and completes at least _____ Years of Service (or Periods of Service) for vesting purposes.













3.  first day of the month coinciding with or next following the date on which a Participant...
 - a.  attains age _____
 - b.  attains age _____ and completes at least _____ Years of Service (or Periods of Service) for vesting purposes.
 4.  Anniversary Date (Plan Section 1.7) coinciding with or next following the date on which a Participant...
 - a.  attains age _____
 - b.  attains age _____ and completes at least _____ Years of Service (or Periods of Service) for vesting purposes.
- b. And, if 2., 3. or 4. is selected, shall a Participant become fully Vested upon attainment of the Early Retirement Date?
1.  Yes.
 2.  No.

28. TOTAL AND PERMANENT DISABILITY (Plan Section 1.79) For purposes of this Plan, Total and Permanent Disability shall mean:

- a.  the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.
- b.  the inability to engage in any substantial, gainful activity in the Employee's trade or profession for which the Employee is best qualified through training or experience.
- c.  a physical or mental condition resulting from bodily injury, disease or mental disorder which renders such Participant incapable of continuing usual and customary employment with the Employer. The disability of a Participant shall be determined by a licensed physician chosen by the Administrator.

COMPENSATION (Plan Section 1.11)




29. FOR ALL PURPOSES OF THE PLAN, other than Employer Matching Contributions, Employer Profit Sharing Contributions, and 414(s) Compensation, compensation:

- a. With respect to any Participant means:
 1.  Wages, tips and other compensation on Form W-2.
 2.  Section 3401(a) wages (wages for withholding purposes).
 3.  415 safe-harbor compensation.
- b. And, compensation shall be adjusted by (for salary deferral purposes the Plan automatically includes amounts in 2 below): (select all that apply)
 1.  N/A. No adjustments.
 2.  including compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125 (cafeteria plan), 402(e)(3) (401(k) plan), 402(h)(1)(B) (simplified employee pension plan), 414(h) (employer pickup contributions under a governmental plan), 403(b) (tax sheltered annuity) or 457(b) (eligible deferred compensation plan).
 3.  including elective amounts that are not includable in the gross income of the employee by reason of Code Section 132(f)(4) for Plan Years beginning on and after December 31, 2000 (may not be earlier than the first day of the first Plan Year beginning on or after January 1, 1998).
 4.  excluding reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation (other than deferrals specified in 2. above) to a qualified plan and welfare benefits.
 5.  excluding Compensation paid during the determination period prior to the period of participation in the component of the Plan for which the definition is being used.
 6.  excluding overtime.
 7.  excluding bonuses.
 8.  excluding commissions.
 9.  other: excluding amounts attributable to income derived from incentive stock options for purposes of deferrals.










NOTE: If 6., 7., 8. or 9. is elected the definition of Compensation could violate the nondiscrimination rules.

30 . FOR PURPOSES OF EMPLOYER MATCHING CONTRIBUTIONS, compensation:

a. With respect to any Participant means:

1.  Wages, tips and other compensation on Form W-2.
2.  Section 3401(a) wages (wages for withholding purposes).
3.  415 safe-harbor compensation.




b. And, compensation shall be adjusted by: (select all that apply)

1.  N/A. No adjustments.
2.  including compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125 (cafeteria plan), 402(e)(3) (401(k) plan), 402(h)(1)(B) (simplified employee pension plan), 414(h) (employer pickup contributions under a governmental plan), 403(b) (tax sheltered annuity) or 457(b) (eligible deferred compensation plan).
3.  including elective amounts that are not includable in the gross income of the employee by reason of Code Section 132(f)(4) for Plan Years beginning on and after December 31, 2000 (may not be earlier than the first day of the first Plan Year beginning on or after January 1, 1998).
4.  excluding reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation (other than deferrals specified in 2. above) to a qualified plan and welfare benefits.
5.  excluding Compensation paid during the determination period prior to the period of participation in the component of the Plan for which the definition is being used.
6.  excluding overtime.
7.  excluding bonuses.
8.  excluding commissions.
9.  other: excluding amounts attributable to income derived from incentive stock options for purposes of deferrals.










NOTE: If 6., 7., 8. or 9. is elected the definition of Compensation could violate the nondiscrimination rules.

31 . FOR PURPOSES OF EMPLOYER PROFIT SHARING CONTRIBUTIONS, compensation:

a. With respect to any Participant means:

1.  Wages, tips and other compensation on Form W-2.
2.  Section 3401(a) wages (wages for withholding purposes).
3.  415 safe-harbor compensation.

b. And, compensation shall be adjusted by: (select all that apply)

1.  N/A. No adjustments.
2.  including compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125 (cafeteria plan), 402(e)(3) (401(k) plan), 402(h)(1)(B) (simplified employee pension plan), 414(h) (employer pickup contributions under a governmental plan), 403(b) (tax sheltered annuity) or 457(b) (eligible deferred compensation plan).
3.  including elective amounts that are not includable in the gross income of the employee by reason of Code Section 132(f)(4) for Plan Years beginning on and after December 31, 2000 (may not be earlier than the first day of the first Plan Year beginning on or after January 1, 1998).
4.  excluding reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation (other than deferrals specified in 2. above) to a qualified plan and welfare benefits.
5.  excluding Compensation paid during the determination period prior to the period of participation in the component of the Plan for which the definition is being used.
6.  excluding overtime.
7.  excluding bonuses.
8.  excluding commissions.
9.  other: excluding amounts attributable to income derived from incentive stock options for purposes of deferrals.

NOTE: If 6., 7., 8. or 9. is elected the definition of Compensation could violate the nondiscrimination rules.

32. FOR PURPOSES OF 414(s) COMPENSATION (plan section 1.29), compensation:

a. With respect to any Participant means:

1. Wages, tips and other compensation on Form W-2.
2. Section 3401(a) wages (wages for withholding purposes).
3. 415 safe-harbor compensation.

b. And, compensation shall be adjusted by: (select all that apply)

1. N/A. No adjustments.
2. including compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125 (cafeteria plan), 402(e)(3) (401(k) plan), 402(h)(1)(B) (simplified employee pension plan), 414(h) (employer pickup contributions under a governmental plan), 403(b) (tax sheltered annuity) or 457(b) (eligible deferred compensation plan).
3. including elective amounts that are not includable in the gross income of the employee by reason of Code Section 132(f)(4) for Plan Years beginning on and after December 31, 2000 (may not be earlier than the first day of the first Plan Year beginning on or after January 1, 1998).
4. excluding reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation (other than deferrals specified in 2. above) to a qualified plan and welfare benefits.
5. excluding Compensation paid during the determination period prior to the period of participation in the component of the Plan for which the definition is being used.
6. other: excluding amounts attributable to income derived from incentive stock options for purposes of deferrals.

NOTE: If this is a GUST restatement, it may be necessary to complete section 65. Also, if 6. is elected, the definition of Compensation could violate the nondiscrimination rules.

33. COMPENSATION, for all purposes of the plan, shall be based on the following determination period:

1. the Plan Year.
2. the Fiscal Year coinciding with or ending within the Plan Year.
3. the calendar year coinciding with or ending within the Plan Year.

NOTE: The Limitation Year for Code Section 415 purposes shall be the same as the determination period for Compensation unless an alternative period is specified: _____

CONTRIBUTIONS AND ALLOCATIONS

34. SALARY REDUCTION ARRANGEMENT - ELECTIVE DEFERRALS (Plan Section 12.2)

a. Each Participant may elect to have Compensation reduced by:

1. ____%.
2. up to ____%.
3. from 2% to 25%.
4. up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415.

b. Highly Compensated Employees may only elect to reduce Compensation by:

1. N/A. Same limits as specified above.
2. up to the lesser of \$10,000 or 6.5% (should not be greater than the limits specified above).
3. the percentage equal to the deferral limit in effect under Code Section 402(g)(3) for the calendar year that begins with or within the Plan Year divided by the annual compensation limit in effect for the Plan Year under Code Section 401(a)(17).

- c. May a special salary reduction election with respect to bonuses be made?
1. Yes, any Participant may elect to defer up to the entire amount of any bonus.
 2. Yes, any Participant may elect to defer up to _____% of any bonus.
 3. Yes, any Non-Highly Compensated Employee may elect to defer up to the entire amount of any bonus.
 4. Yes, any Non-Highly Compensated Employee may elect to defer up to _____% of a bonus.
 5. No.
- d. Participants may commence salary deferrals on the effective date of participation and on each subsequent plan quarter. Participants may modify salary deferral elections:
1. As of each payroll period.
 2. On the first day of the month.
 3. On the first day of each Plan Year quarter.
 4. On the first day of the Plan Year or the first day of the 7th month of the Plan Year.
 5. Other: _____ (specify a date or dates).
- e. Automatic Election: Shall Participants who do not affirmatively elect to receive cash, to have Compensation deferred to the Plan, or, for those participants eligible on _____, to have at least the amount specified in 1. below contributed to the Plan automatically have Compensation reduced?
1. Yes, by _____% of Compensation for Participants .
 2. No.

NOTE: If 1. is selected, certain notices must be provided to employees.

- f. Shall there be a special effective date for the salary deferral component of the Plan?
1. No.
 2. Yes, the effective date of the salary deferral component of the Plan is ____ (enter month, day and year).

35. 401(K) SAFE HARBOR PROVISIONS (Plan Section 12.8)

Will the ADP and/or ACP test safe harbor provisions be used? (select a., b. or c.)

- a. No. (If selected, skip to Question 36.)
- b. Yes, but only the ADP (and NOT the ACP) Test Safe Harbor provisions will be used.
- c. Yes, both the ADP and ACP Test Safe Harbor provisions will be used.

IF c. is selected, does the Plan permit matching contributions in addition to any safe harbor contributions elected in d. or e. below?

1. No or N/A. Any matching contributions, other than any Safe Harbor Matching Contributions elected in d. below, will be suspended in any Plan Year in which the safe harbor provisions are used.
2. Yes, the Employer may make matching contributions in addition to any Safe Harbor Matching contributions elected in d. below. (If elected, complete the provisions of the Adoption Agreement relating to matching contributions that will apply in addition to any elections made in d. below.)

NOTE: Regardless of any election made, the Plan automatically provides that only Elective Deferrals up to 6% of Compensation are taken into account in applying the match set forth in that Question and that the maximum discretionary matching contribution that may be made on behalf of any Participant is 4% of Compensation.

THE EMPLOYER WILL MAKE THE FOLLOWING ADP TEST SAFE HARBOR CONTRIBUTION FOR THE PLAN YEAR:

NOTE: The ACP Test Safe Harbor is automatically satisfied if the only matching contribution made to the Plan is either (1) a Basic Matching Contribution or (2) an Enhanced Matching Contribution that does not provide a match on Elective Deferrals in excess of 6% of Compensation.

d. Safe Harbor Matching Contribution (select 1. or 2. AND 3.)

1. **Basic Matching Contribution.** The Employer will make Matching Contributions to the account of each "Eligible Participant" in an amount equal to the sum of 100% of the amount of the Participant's Elective Deferrals that do not exceed 3% of the Participant's Compensation, plus 50% of the amount of the Participant's Elective Deferrals that exceed 3% of the Participant's Compensation but do not exceed 5% of the Participant's Compensation.

2. **Enhanced Matching Contribution.** The Employer will make Matching Contributions to the account of each "Eligible Participant" in an amount equal to the sum of:

a. _____% (may not be less than 100%) of the Participant's Elective Deferrals that do not exceed _____% (if over 6% or if left blank, the ACP test will still apply) of the Participant's Compensation, plus

b. _____% of the Participant's Elective Deferrals that exceed _____% of the Participant's Compensation but do not exceed _____% (if over 6% or if left blank the ACP test will still apply) of the Participant's Compensation.

NOTE: a. and b. must be completed so that, at any rate of Elective Deferrals, the matching contribution is at least equal to the matching contribution receivable if the Employer were making Basic Matching Contributions, but the rate of match cannot increase as deferrals increase. For example, if a. is completed to provide a match equal to 100% of deferrals up to 4% of Compensation, then b. need not be completed.

3. The safe harbor matching contribution will be made on the following basis (and Compensation for such purpose will be based on the applicable period):

a. the entire Plan Year.

b. each payroll period.

c. all payroll periods ending with or within each month.

d. all payroll periods ending with or within the Plan Year quarter.

e. Nonelective Safe Harbor Contributions (select one)

1. The Employer will make a Safe Harbor Nonelective Contribution to the account of each "Eligible Participant" in an amount equal to _____% (may not be less than 3%) of the Employee's Compensation for the Plan Year.

2. The Employer will make a Safe Harbor Nonelective Contribution to another defined contribution plan maintained by the Employer (specify the name of the other plan): _____.

FOR PURPOSES OF THE ADP Test Safe Harbor contribution, the term "Eligible Participant" means any Participant who is eligible to make Elective Deferrals with the following exclusions:

f. Highly Compensated Employees.

g. Employees who have not satisfied the greatest minimum age and service conditions permitted under Code Section 410(a).

h. Other: _____

(must be a category that could be excluded under the permissive or mandatory disaggregation rules of Regulations 1.401(k)-1(b)(3) and 1.401(m)-1(b)(31)).

SPECIAL EFFECTIVE DATE OF ADP AND ACP TEST SAFE HARBOR PROVISIONS

i. N/A. The safe harbor provisions are effective as of the later of the Effective Date of this Plan or, if this is an amendment or restatement, the effective date of the amendment or restatement.

j. The ADP and ACP Test Safe Harbor provisions are effective for the Plan Year beginning: _____ (enter the first day of the Plan Year for which the provisions are (or, for GUST updates, were) effective and, if necessary, enter any other special effective dates that apply with respect to the provisions).

36 . FORMULA FOR DETERMINING EMPLOYER MATCHING CONTRIBUTIONS (Plan Section 12.1(a)(2))

NOTE:Regardless of any election below, if the ACP test safe harbor is being used then the Plan automatically provides that only Elective Deferrals up to 6% of Compensation are taken into account in applying the match set forth below and that the maximum discretionary matching contribution that may be made on behalf of any Participant is 4% of Compensation.

- a. N/A. There will not be any matching contributions (Skip to Question 37).
 - b. The Employer will make matching contributions equal to ____% of the Participant’s Elective Deferrals, plus:
 - 1. N/A.
 - 2. an additional discretionary percentage, to be determined by the Employer.
 - c. The Employer may make matching contributions equal to a discretionary percentage of the Participant’s Elective Deferrals, to be determined by the Employer.
- AND**, in determining the matching contributions in b. and c. above, only Elective Deferrals up to the percentage or dollar amount specified below will be matched:
(select 1. and/or 2. OR 3.)
- 1. 5% of a Participant’s Compensation.
 - 2. \$_____.
 - 3. a discretionary percentage of a Participant’s Compensation or a discretionary dollar amount, the percentage or dollar amount to be determined by the Employer on a uniform basis to all Participants.
- d. The Employer may make matching contributions equal to a discretionary percentage, to be determined by the Employer, of each tier, to be determined by the Employer, of the Participant’s Elective Deferrals.
 - e. The Employer will make matching contributions equal to the sum of ____% of the portion of the Participant’s Elective Deferrals which do not exceed ____% of the Participant’s Compensation or \$_____ plus ____% of the portion of the Participant’s Elective Deferrals which exceed ____% of the Participant’s Compensation or \$_____, but does not exceed ____% of the Participant’s Compensation or \$_____.
 - f. The Employer will make matching contributions equal to the percentage of Elective Deferrals determined under the following schedule based on a Participant’s Years of Service for Vesting purposes (or Periods of Service if the Elapsed Time Method is selected):

Participant’s Total Service	Matching Percentage
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____

- g. Other Formula: _____

NOTE:If d., e., f. or g. above is elected, the Plan may violate the Code Section 401(a)(4) nondiscrimination requirements if the rate of matching contributions increases as a Participant’s Elective Deferrals or Years of Service (or Periods of Service) increase. If g. is elected, matching contributions can only be made with respect to a Participant’s Elective Deferrals.

PERIOD OF DETERMINING MATCHING CONTRIBUTIONS

Matching contributions will be made on the following basis (and any Compensation or dollar limitation used in determining the match will be based on the applicable period):

- h. the entire Plan Year.
- i. each payroll period.
- j. all payroll periods ending within each month.
- k. all payroll periods ending with or within the Plan Year quarter.
- l. Other: _____

THE MATCHING CONTRIBUTION MADE ON BEHALF OF ANY PARTICIPANT for any plan year will not exceed:

- m. N/A.
- n. \$_____.

MATCHING CONTRIBUTIONS WILL BE MADE ON BEHALF OF:

- o. all Participants.

p. only Non-Highly Compensated Employees.

37. FORMULA FOR DETERMINING QUALIFIED MATCHING CONTRIBUTIONS (Plan Section 12.1(a)(2))

NOTE: Regardless of any election below, if the ACP test safe harbor is being used then the Plan automatically provides that only Elective Deferrals up to 6% of Compensation are taken into account in applying the match set forth below and that the maximum discretionary matching contribution that may be made on behalf of any Participant is 4% of Compensation.

a. N/A. There will not be any qualified matching contributions except for ADP/ACP Test Safe Harbor contributions or as provided in Section 12.5(c) and 12.7(g). (Skip to Question 38).

b. The Employer will make qualified matching contributions equal to _____% of the Participant's Elective Deferrals, plus:

1. N/A.

2. an additional discretionary percentage, to be determined by the Employer.

c. The Employer may make qualified matching contributions equal to a discretionary percentage of the Participant's Elective Deferrals, to be determined by the Employer.

AND, in determining the qualified matching contribution in b. and c. above, only Elective Deferrals up to the percentage or dollar amount specified below will be matched:

(select 1. and/or 2. OR 3.)

1. _____ % of a Participant's Compensation.

2. \$ _____.

3. a discretionary percentage of a Participant's Compensation or a discretionary dollar amount, the percentage or dollar amount to be determined by the Employer on a uniform basis to all Participants.

d. The Employer may make qualified matching contributions equal to a discretionary percentage, to be determined by the Employer, of each tier, to be determined by the Employer, of the Participant's Elective Deferrals.

e. The Employer will make qualified matching contributions equal to the sum of _____% of the portion of the Participant's Elective Deferrals which do not exceed _____% of the Participant's Compensation or \$ plus _____% of the portion of the Participant's Elective Deferrals which exceed _____% of the Participant's Compensation or \$ _____, but does not exceed _____% of the Participant's Compensation or \$ _____.

PERIOD OF DETERMINING QUALIFIED MATCHING CONTRIBUTIONS

Qualified Matching contributions will be made on the following basis (and any Compensation or dollar limitation used in determining the match will be based on the applicable period):

f. the entire Plan Year.

g. each payroll period.

h. all payroll periods ending within each month.

i. all payroll periods ending with or within the Plan Year quarter.

j. Other: _____

THE QUALIFIED MATCHING CONTRIBUTION MADE ON BEHALF OF ANY PARTICIPANT for any plan year will not exceed:

k. N/A

l. \$ _____.

QUALIFIED MATCHING CONTRIBUTIONS WILL BE MADE ON BEHALF OF:

m. all Participants.

n. only Non-Highly Compensated Employees.

38. MAY EMPLOYER MATCHING OR QUALIFIED MATCHING CONTRIBUTIONS BE MADE IN EMPLOYER STOCK?

a. Yes.

b. No.

- 39 . ONLY PARTICIPANTS WHO SATISFY THE FOLLOWING CONDITIONS WILL BE ELIGIBLE TO SHARE IN THE ALLOCATION OF MATCHING CONTRIBUTIONS OR QUALIFIED MATCHING CONTRIBUTIONS (other than Qualified Matching Contributions under Plan Sections 12.5(c) and 12.7(g)):
- a. Requirements for Participants who are actively employed at the end of the Plan Year.
 1. No additional conditions.
 2. A Participant must complete more than _____ Hours of Service (not more than 1000) or _____ months of service (not more than twelve (12)) if the Elapsed Time Method is elected.
 3. A Participant must complete a Year of Service (or Period of Service if the Elapsed Time Method is elected). (Could cause Plan to violate coverage requirements under Code Section 410.)
 - b. Requirements for Participants who are not actively employed at the end of the Plan Year (except as otherwise provided in c(1) through c(3) below).
 1. No additional conditions.
 2. A Participant must complete more than _____ Hours of Service (not more than 1000) or, if the Elapsed Time Method is elected, _____ months of service (not more than twelve (12)).
 3. A Participant must complete a Year of Service (or Period of Service if the Elapsed Time Method is elected).
 4. Participants will not share in such allocations, regardless of service.
- NOTE:** If 2., 3. or 4. is elected, the Plan may violate the coverage rules of Code Section 410(b).
- c. Participants who are not actively employed at the end of the Plan Year due to the following shall be eligible to share in the allocation of matching contributions regardless of the above conditions (select all that apply):
 1. death.
 2. Total and Permanent Disability.
 3. Early or Normal Retirement.

40 . EMPLOYER PROFIT SHARING CONTRIBUTIONS (Plan Section 12.1(a)(3)).

- a. Will a fixed Employer Profit Sharing Contribution be provided under the Plan?
 1. No.
 2. Yes, the Employer shall make a profit sharing contribution each Plan Year in an amount equal to _____% of each eligible Participant's Compensation.
 3. Yes, the Employer shall make a profit sharing contribution each Plan Year in an amount equal to \$ _____ for each eligible Participant.
 4. Prevailing Wage Contribution. The Employer will make a Prevailing Wage Contribution on behalf of each Participant who performs services subject to the Service Contract Act, Davis-Bacon Act or similar Federal, State, or Municipal Prevailing Wage statutes. The Prevailing Wage Contribution shall be an amount equal to the balance of the fringe benefit payment for health and welfare for each Participant (after deducting the cost of cash differential payments for the Participant) based on the hourly contribution rate for the Participant's employment classification, as designated on Schedule A as attached to this Adoption Agreement. Schedule A is incorporated herein by reference. Notwithstanding anything in the Plan to the contrary, the Prevailing Wage Contribution shall be fully Vested. Furthermore, the Prevailing Wage Contribution shall not be subject to any age or service requirements set forth in Question 16. nor to any service or employment conditions set forth in Question 43.
 If selected, is the Prevailing Wage Contribution considered a Qualified Non-Elective Contribution?
 1. Yes.
 2. No.

5. Yes, the following Integrated Allocation with Fixed Contribution:
1. Subject to the overall permitted disparity limits, the Employer will contribute an amount equal to _____% (base percentage) of each Participant's TOTAL Compensation
 2. plus _____% (excess contribution percentage (see Note below)) of such Compensation in excess of:
 - a. The Taxable Wage Base
 - b. _____% (not to exceed 100%) of the Taxable Wage Base (See Note below)
 - c. \$_____ (not greater than the Taxable Wage Base) (See Note below).

NOTE: The excess contribution percentage specified in 2. above may not exceed the lesser of the following limits and shall be adjusted each year as appropriate. However, in the case of any Participant who has exceeded the cumulative permitted disparity limit, the Employer will contribute an amount equal to the base plus excess contribution percentages, multiplied by the Participant's total Compensation.

1. The base percentage specified in 1. above.
2. 5.7%.
3. 4.3% if b. or c. above is more than 20% and less than or equal to 80% of the Taxable Wage Base.
4. 5.4% if b. or c. above is more than 80% of the Taxable Wage Base.

b. Will a discretionary Employer Profit Sharing Contribution be provided under the Plan?

1. No.
2. Yes, the Employer may make a discretionary profit sharing contribution out of its current or accumulated Net Profit.
3. Yes, the Employer may make a discretionary profit sharing contribution which is not limited to its current or accumulated Net Profit.

c. The Employer's discretionary profit sharing contribution for a Plan Year will be allocated as follows:

1. **NON-INTEGRATED ALLOCATION**

- a. In the same ratio as each Participant's Compensation bears to the total of such Compensation of all Participants.
- b. In the same dollar amount to all Participants (per capita).
- c. In the same dollar amount per Hour of Service completed by each Participant.
- d. In the same proportion that each Participant's points bears to the total of such points of all Participants. A Participant's points with respect to any Plan Year shall be computed as follows (select all that apply):
 1. _____ point(s) shall be allocated for each Year of Service (or Period of Service if the Elapsed Time Method is elected). However, the maximum Years of Service (or Periods of Service taken into account shall not exceed _____ (leave blank if no limit on service applies)).
 2. _____ point(s) shall be allocated for each full \$_____ (may not exceed \$200) of Compensation.
 3. _____ point(s) shall be allocated for each year of attained age as of the end of the Plan Year.

2. **INTEGRATED ALLOCATION**

In accordance with Plan Section 4.3(b)(2) based on a Participant's Compensation in excess of:

- a. The Taxable Wage Base.
- b. _____% (not to exceed 100%) of the Taxable Wage Base. (See Note below)
- c. 80% of the Taxable Wage Base plus \$1.00.
- d. \$_____ (not greater than the Taxable Wage Base). (See Note below)

NOTE: The integration percentage of 5.7% shall be reduced to:

1. 4.3% if b. or d. above is more than 20% and less than or equal to 80% of the Taxable Wage Base.
2. 5.4% if b. or d. above is more than 80% of the Taxable Wage Base.

41. **QUALIFIED NON-ELECTIVE CONTRIBUTIONS (Plan Section 12.1(a)(4))**

a. Will a Qualified Non-Elective Contribution be provided under the Plan?

1. N/A. There will be no Qualified Non-Elective Contributions except for ADP/ACP Test Safe Harbor contributions or as provided in Section 12.5(c) and 12.7(g).
2. The Employer will make a Qualified Non-Elective Contribution equal to _____% of the total Compensation of those Participants eligible to share in the allocations.

3. The Employer may make a Qualified Non-Elective Contribution in an amount to be determined by the Employer, to be allocated in proportion to the Compensation of those eligible to share in the allocations.
4. The Employer may make a Qualified Non-Elective Contribution in the same dollar amount, to be determined by the Employer, to all Participants eligible to share in the allocations (per capita).
- b. And, Qualified Non-Elective Contributions will be made on behalf of:
1. all Participants.
2. only Non-Highly Compensated Employees.
42. MAY EMPLOYER PROFIT SHARING OR QUALIFIED NON-ELECTIVE CONTRIBUTIONS BE MADE IN EMPLOYER STOCK?
- a. Yes
- b. No
43. ONLY PARTICIPANTS WHO SATISFY THE FOLLOWING CONDITIONS WILL BE ELIGIBLE TO SHARE IN THE ALLOCATION OF EMPLOYER PROFIT SHARING CONTRIBUTIONS, QUALIFIED NON-ELECTIVE CONTRIBUTIONS (other than Qualified Non-Elective Contributions under Plan Sections 12.5(c) and 12.7(g)) AND FORFEITURES.
- a. Requirements for Participants who are actively employed at the end of the Plan Year.
1. No additional conditions
2. A Participant must complete more than 1,000 Hours of Service (not more than 1000) or _____ months of service (not more than twelve (12)) if the Elapsed Time Method is elected.
3. A Participant must complete a Year of Service (or Period of Service if the Elapsed Time Method is elected). (Could cause Plan to violate coverage requirements under Code Section 410.)
- b. Requirements for Participants who are not actively employed at the end of the Plan Year (except as otherwise provided in c(1) through c(3) below).
1. No additional conditions
2. A Participant must complete more than _____ Hours of Service (not more than 1000) or _____ months of service (not more than twelve (12)) if the Elapsed Time Method is elected.
3. A Participant must complete a Year of Service (or Period of Service if the Elapsed Time Method is elected).
4. Participants will not share in such allocations, regardless of service.
- NOTE:** If 2., 3. or 4. is elected, the Plan may violate the coverage rules of Code Section 410(b).
- c. Participants who are not actively employed at the end of the Plan Year due to the following will be eligible to share in the allocations regardless of the above conditions (select all that apply):
1. Death.
2. Total and Permanent Disability.
3. Early or Normal Retirement.
44. FORFEITURES (Plan Sections 1.27 and 4.3(e))
- a. Except as provided in Plan Section 1.27, a Forfeiture will occur as of the earlier of:
1. the last day of the Plan Year in which the Former Participant incurs five (5) consecutive 1-Year Breaks in Service, or
2. the distribution of the entire Vested portion of the Participant's Account.
- b. Except as otherwise provided in c. below with respect to Forfeitures attributable to matching contributions, Forfeitures will be...
1. added to any Employer profit sharing contribution.
2. used to reduce any Employer contribution.
3. added to any Employer matching contribution and allocated as an additional matching contribution.
4. allocated to all Participants eligible to share in the profit sharing allocations in the same proportion that each Participant's Compensation for the Plan Year bears to the Compensation of all Participants for such year.
5. allocated to all Non-Highly Compensated Employees eligible to share in the profit sharing allocations (regardless of whether a Participant elected any salary reductions) in proportion to each such Participant's Compensation for the year.
6. other: _____

- c. Forfeitures of matching contributions will be...
1. N/A. Same as above or no matching contributions.
 2. used to reduce the Employer's matching contribution.
 3. added to any Employer matching contribution and allocated as an additional matching contribution.
 4. added to any Employer profit sharing contribution.
 5. allocated to all Participants eligible to share in the matching allocations (regardless of whether a Participant elected any salary reductions) in proportion to each such Participant's Compensation for the year.
 6. allocated to all Non-Highly Compensated Employees eligible to share in the matching allocations (regardless of whether a Participant elected any salary reductions) in proportion to each such Participant's Compensation for the year.
 7. other: allocated among the Participants accounts in the same proportion that matching contributions allocated to such participants accounts for the year bear to the total matching contributions allocated to all participants accounts for the year

NOTE: Plan Section 4.3(e) automatically provides that Forfeitures may be used to pay administrative expenses.

45. ALLOCATIONS OF EARNINGS (Plan Section 4.3(c))

Allocations of earnings with respect to amounts which are not subject to Participant directed investments and which are contributed to the Plan after the previous Valuation Date will be determined...

- a. N/A, all assets in the Plan are subject to Participant directed investments.
- b. by using the actual investment experience of individual accounts.
- c. other: _____

46. LIMITATIONS ON ALLOCATIONS (Plan Section 4.4)

- a. If any Participant is covered under another qualified defined contribution plan maintained by the Employer, other than a Master or Prototype Plan, or if the Employer maintains a welfare benefit fund, as defined in Code Section 419(e), or an individual medical account, as defined in Code Section 415(l)(2), under which amounts are treated as Annual Additions with respect to any Participant in this Plan:
 1. N/A. The Employer does not maintain another qualified defined contribution plan.
 2. The provisions of Section 4.4(b) of the Plan will apply as if the other plan were a master or prototype plan.
 3. Specify the method under which the plans will limit total Annual Additions to the Maximum Permissible Amount, and will properly reduce any Excess Amounts, in a manner that precludes Employer discretion:

- b. If any Participant is a Participant in a qualified defined benefit plan maintained by the Employer:
 1. N/A. The Employer does not maintain, and has never maintained, a qualified defined benefit plan OR the provisions of Code Section 415(e) no longer apply to the Plan.
 2. N/A. The provisions of Code Section 415(e) no longer apply to this Plan effective with respect to Limitation Years beginning after December 31, 1999, or if later _____ (if a later date is entered, this Plan will not be considered a safe harbor plan under Code Section 401(a)(4) and the Regulations thereunder).
 3. In any Limitation Year, the Annual Additions credited to the Participant under this Plan may not cause the sum of the Defined Benefit Plan Fraction and the Defined Contribution Fraction to exceed 1.0. If the Employer's contribution that would otherwise be made on the Participant's behalf during the Limitation Year would cause the 1.0 limitation to be exceeded, the rate of contribution under this Plan will be reduced so that the sum of the fractions equals 1.0. If the 1.0 limitation is exceeded because of an Excess Amount, such Excess Amount will be reduced in accordance with Section 4.5 of the Plan.
 4. Specify and attach to the Adoption Agreement the method under which the plans involved will satisfy the 1.0 limitation in a manner that precludes Employer discretion.

DISTRIBUTIONS

47. FORM OF DISTRIBUTIONS (Plan Sections 6.5 and 6.6)

- a. Distributions under the Plan may be made in (select all that apply)...
 1. lump sums.
 2. substantially equal installments.
 3. partial withdrawals provided the minimum withdrawal is \$0.

b. And, pursuant to Plan Section 6.12,

1. no annuities are allowed (Plan Section 6.12(b) will apply and the joint and survivor rules of Code Sections 401(a)(11) and 417 will not apply to the Plan).
2. annuities are allowed as the normal form of distribution (Plan Section 6.12 will not apply and the joint and survivor rules of Code Sections 401(a)(11) and 417 will automatically apply). If elected, the Pre-Retirement Survivor Annuity (minimum spouse's death benefit) will be equal to:
 - a. 100% of Participant's interest in the Plan.
 - b. 50% of Participant's interest in the Plan.
 - c. _____ % (may not be less than 50%) of a Participant's interest in the Plan.
3. annuities are allowed but are not the normal form of distribution (Plan Section 6.12(c) will apply and the joint and survivor rules of Code Sections 401(a)(11) and 417 will only apply if an annuity form of distribution is elected by a Participant). If elected, the optional forms of annuities allowed are:
 - a. Life annuity
 - b. Other: _____

AND if 2. or 3. is elected, the normal form of the Qualified Joint and Survivor Annuity will be a joint and 50% survivor annuity unless otherwise elected below:

1. N/A.
2. Joint and 100% survivor annuity.
3. Joint and 75% survivor annuity.
4. Joint and 66 2/3% survivor annuity.

NOTE: If this is an amendment to a plan which permitted annuities as a form of distribution with respect to any portion of the Plan's assets (or if this Plan has accepted a plan-to-plan transfer (other than a direct rollover) of assets from a plan which permitted annuities as a form of distribution) and the joint and survivor annuity rules only apply to a Participant's interest in the Plan attributable to such amounts, then select b(1), AND b(2), or b(3), (whichever is applicable to such amounts) and attach an addendum to this Adoption Agreement specifying the assets subject to the joint and survivor annuity provisions.

c. And, distributions may be made in...

1. cash only (except for insurance or annuity contracts).
2. cash or property.

48. CONDITIONS FOR DISTRIBUTIONS UPON TERMINATION OF EMPLOYMENT

Distributions upon termination of employment pursuant to Plan Section 6.4(a) of the Plan will not be made unless the following conditions have been satisfied:

- a. No distributions may be made until a Participant has reached Early or Normal Retirement Date.
- b. Distributions may be made as soon as administratively feasible at the Participant's election.
- c. The Participant has incurred _____ 1-Year Break(s) in Service (or Period(s) of Severance if the Elapsed Time Method is elected).
- d. Distributions may be made at the Participant's election as soon as administratively feasible after the Plan Year coincident with or next following termination of employment.
- e. Distributions may be made at the Participant's election as soon as administratively feasible after the Plan Year quarter coincident with or next following termination of employment.
- f. Distributions may be made at the Participant's election as soon as administratively feasible after the Valuation Date coincident with or next following termination of employment.
- g. Distributions may be made at the Participant's election as soon as administratively feasible after _____ months following termination of employment.
- h. Other _____ (must be objective conditions which are ascertainable and are not subject to Employer discretion except as otherwise permitted in Regulation 1.411(d)-4).

49. INVOLUNTARY DISTRIBUTIONS

Can involuntary distributions of amounts less than \$5,000 be made in accordance with the provisions of Sections 6.4, 6.5 and 6.6?

- a. No.

b. Yes.

50. MINIMUM DISTRIBUTION TRANSITIONAL RULES (Plan Section 6.5(e))

NOTE: This Section does not apply to (1) a new Plan or (2) an amendment or restatement of an existing Plan that never contained the provisions of Code Section 401(a)(9) as in effect prior to the amendments made by the Small Business Job Protection Act of 1996 (SBJPA).

The "required beginning date" for a Participant who is not a "five percent (5%) owner" is:

- a. N/A. (This is a new Plan or this Plan has never included the pre-SBJPA provisions.)
- b. April 1st of the calendar year following the year in which the Participant attains age 70 1/2. (The pre-SBJPA rules will continue to apply.)
- c. April 1st of the calendar year following the later of the year in which the Participant attains age 70 1/2 or retires (the post-SBJPA rules), with the following exceptions (select one or both and if no election is made, both will apply effective as of January 1, 1996):
 - 1. A Participant who was already receiving required minimum distributions under the pre-SBJPA rules as of January 1, 1996 (not earlier than January 1, 1996) may elect to stop receiving distributions and have them recommence in accordance with the post-SBJPA rules. Upon the recommencement of distributions, if the Plan permits annuities as a form of distribution then the following will apply:
 - a. N/A. Annuity distributions are not permitted.
 - b. Upon the recommencement of distributions, the original Annuity Starting Date will be retained.
 - c. Upon the recommencement of distributions, a new Annuity Starting Date is created.
 - 2. A Participant who had not begun receiving required minimum distributions as of January 1, 1996 (not earlier than January 1, 1996) may elect to defer commencement of distributions until retirement. The option to defer the commencement of distributions (i.e., to elect to receive in-service distributions upon attainment of age 70 1/2) will apply to all such Participants unless the option below is elected:
 - a. N/A.
 - b. This in-service distribution option will be eliminated with respect to Participants who attain age 70 1/2 in or after the calendar year that begins after the later of (1) December 31, 1998, or (2) the adoption date of the amendment and restatement to bring the Plan into compliance with SBJPA. (This option may only be elected if the amendment to eliminate the in-service distribution is adopted no later than the last day of the remedial amendment period that applies to the Plan for changes under SBJPA.)

51. LIFE EXPECTANCIES (Plan Section 6.5(f)) for minimum distributions required pursuant to Code Section 401(a)(9) shall...

- a. be recalculated at the Participant's election.
- b. be recalculated.
- c. not be recalculated.
- d. N/A.

52. DISTRIBUTIONS UPON DEATH (Plan Section 6.6(h))

Distributions upon the death of a Participant prior to receiving any benefits shall...

- a. be made pursuant to the election of the Participant or beneficiary.
- b. begin within 1 year of death for a designated beneficiary and be payable over the life (or over a period not exceeding the life expectancy) of such beneficiary, except that if the beneficiary is the Participant's spouse, begin prior to December 31st of the year in which the Participant would have attained age 70 1/2.
- c. be made within 5 years of death for all beneficiaries.
- d. Other: _____ (must comply with 401(a)(9)).

53. HARDSHIP DISTRIBUTIONS (Plan Sections 6.11 and/or 12.9)

a. Will hardship distributions be permitted?

1. No hardship distributions are permitted.
2. Hardship distributions are permitted from the following accounts (select all that apply):
 - a. all accounts (except as otherwise provided below).
 - b. Participant's Elective Deferral Account.
 - c. Participant's Matching Contribution Account.
 - d. Participant's Profit Sharing Account.
 - e. Participant's Rollover Account.
 - f. Participant's Transfer Account.
 - g. Participant's Voluntary Contribution Account.
 - h. Other: _____

NOTE: Distributions from a Participant's Elective Deferral Account are limited to the portion of such account attributable to such Participant's Elective Deferrals (and earnings attributable thereto up to December 31, 1988). Hardship distributions are not permitted from a Participant's Qualified Non-Elective Account, Qualified Matching Contribution Account or Safe Harbor Contribution Account.

b. Shall the safe harbor hardship rules of Section 12.9 apply to distributions made from all accounts other than a Participant's Elective Deferral Account?

1. No or N/A. The provisions of Section 6.11 apply to distributions from all accounts other than a Participant's Elective Deferral Account.
2. Yes. The provisions of Section 12.9 apply to all distributions.

c. Are distributions restricted to those accounts selected above in which a Participant is fully Vested?

1. Yes, distributions may only be made from accounts which are fully Vested.
2. No. (If elected, the fraction at Plan Section 6.5(i) shall apply in determining vesting of the portion of the account balance not withdrawn).

d. The minimum hardship distribution shall be...

1. N/A. There is no minimum.
2. \$ _____ (may not exceed \$1,000).

54. IN-SERVICE DISTRIBUTIONS (Plan Section 6.10)

a. Will In-Service Distributions be permitted?

1. In-service distributions may not be made (except as otherwise elected for Hardship Distributions).
2. In-service distributions may be made to a Participant who has not separated from service provided any one of the following conditions have been satisfied (select all that apply):
 - a. the Participant has attained age 59 1/2.
 - b. the Participant has reached Normal Retirement Age.
 - c. the Participant has reached Early Retirement Age.
 - d. the Participant has been a Participant in the Plan for at least _____ years (may not be less than five (5)).
 - e. the amounts being distributed have accumulated in the Plan for at least two (2) years.

b. In-Service Distributions are permitted from the following accounts (select all that apply):

1. all accounts (except as otherwise provided below).
2. Participant's Elective Deferral Account.
3. Participant's Matching Contribution Account.
4. Participant's Profit Sharing Account.
5. Participant's Safe Harbor Contribution Account.
6. Participant's Qualified Matching Contribution Account
7. Participant's Qualified Non-Elective Contribution Account.
8. Participant's Rollover Account.
9. Participant's Transfer Account.

10. Participant's Voluntary Contribution Account.

11. Other: _____

NOTE: Distributions from a Participant's Elective Deferral Account, Qualified Matching Contribution Account, Qualified Non-Elective Account and Safe Harbor Contribution Account are subject to restrictions and generally may not be distributed prior to age 59 1/2.

- c. Are distributions restricted to those accounts selected above in which a Participant is fully Vested?
1. Yes, distributions may only be made from accounts which are fully Vested.
 2. No. (If elected, the fraction at Section 6.5(i) will apply in determining vesting of the portion of the account balance not withdrawn.)
- d. The minimum in-service distribution shall be...
1. N/A. There is no minimum.
 2. \$_____ (may not exceed \$1,000).

NONDISCRIMINATION TESTING

55. HIGHLY COMPENSATED EMPLOYEE (Plan Section 1.31)

- a. Shall the Top Paid Group election apply when determining Highly Compensated Employees? (The election made below for the latest year shall continue to apply to subsequent Plan Years unless the Plan is amended to a different election.)
1. Yes, for Plan Years beginning in:
 - a. 1997 b. 1998 c. 1999
 - d. 2000 e. 2001 f. _____
 2. No, for Plan Years beginning in:
 - a. 1997 b. 1998 c. 1999
 - d. 2000 e. 2001 f. 2002
- b. Will the calendar year data election be used?

(For Plan Years beginning after 1997, the calendar year look-back year data election may not be made if the Plan Year is a calendar year. The election made below for the latest year shall continue to apply to subsequent Plan Years unless the Plan is amended to a different election.)

1. Yes, for Plan Years beginning in:
 - a. 1997 b. 1998 c. 1999
 - d. 2000 e. 2001 f. _____
2. No, for Plan Years beginning in:
 - a. 1997 b. 1998 c. 1999
 - d. 2000 e. 2001 f. 2002

56. ADP AND ACP TESTS (Plan Sections 12.4 and 12.6). The actual deferral ratio and actual contribution ratio for Non-Highly Compensated Employees shall be based on the following. The election made below for the latest year shall continue to apply to subsequent Plan Years unless the Plan is amended to a different election.

- a. N/A. This Plan is using the ADP and ACP Test Safe Harbor rules for all years after the later of the Effective Date of the Plan or, in the case of an amendment and restatement, the effective date of the amendment and restatement.
- b. PRIOR YEAR TESTING: The prior year ratio shall be used for the Plan Year beginning in the year specified below. Furthermore, in the case of the first year the 401(k) or 401(m) feature is added to this Plan (unless this Plan is a successor plan), the amount taken into account as the ADP and ACP of Non-Highly Compensated Employees for the preceding Plan Year shall be 3%.
 1. 1997 2. 1998 3. 1999
 4. 2000 5. 2001 6. _____
- c. CURRENT YEAR TESTING: The current year ratio shall be used for the Plan Year beginning in the year specified below:
 1. 1997 2. 1998 3. 1999
 4. 2000 5. 2001 6. 2002

57. TRANSITIONAL RULE FOR PLAN YEARS BEGINNING PRIOR TO THE PLAN YEAR IN WHICH THE PLAN IS AMENDED TO REFLECT THE PROVISIONS OF SBJPA.

Notwithstanding the above, if the method used to determine the ADP is different than the method used to determine the ACP, then the method selected in 56. above will apply for determining the ADP and the method selected below will be used to determine the ACP ratio for Non-Highly Compensated Employees for Plan Years beginning prior to the date the Plan is amended to reflect the provisions of SBJPA.

- a. N/A (Plan has already been amended for SBJPA or the ADP and ACP ratios are determined using the same methods).
- b. PRIOR YEAR TESTING: The prior year ratio shall be used for the Plan Years beginning in the years specified below. Furthermore, in the case of the first year the 401(m) feature is added to this Plan (unless this Plan is a successor plan), the amount taken into account as the ACP of Non-Highly Compensated Employees for the preceding Plan Year shall be 3%.
1. 1997 2. 1998 3. 1999
 4. 2000 5. 2001 6. _____
- c. CURRENT YEAR TESTING: The current year ratio will be used for the Plan Years beginning in the years specified below:
1. 1997 2. 1998 3. 1999
 4. 2000 5. 2001 6. _____

TOP HEAVY REQUIREMENTS

58. TOP HEAVY DUPLICATIONS (Plan Section 4.3(i)): When a Non-Key Employee is a Participant in this Plan and a Defined Benefit Plan maintained by the Employer, indicate which method shall be utilized to avoid duplication of top heavy minimum benefits (If b., c., d. or e. is elected, f. must be completed)
- a. N/A. The Employer does not maintain a Defined Benefit Plan. (Go to next Question)
- b. The full top heavy minimum will be provided in each plan (if selected, Plan Section 4.3(i) shall not apply).
- c. 5% defined contribution minimum.
- d. 2% defined benefit minimum.
- e. Specify the method under which the Plans will provide top heavy minimum benefits for Non-Key Employees that will preclude Employer discretion and avoid inadvertent omissions:

NOTE: If c., d., or e. is selected and the Defined Benefit Plan and this Plan do not benefit the same Participants, the uniformity requirement of the Section 401(a)(4) Regulations may be violated.

AND, the "Present Value of Accrued Benefit" (Plan Section 9.2) for Top Heavy purposes shall be based on...

- f. Interest Rate: _____
- Mortality Table: _____

59. TOP HEAVY DUPLICATIONS (Plan Section 4.3(f)): Employer maintaining two (2) or more Defined Contribution Plans.
- a. N/A. The Employer does not maintain another qualified defined contribution plan.
- b. A minimum, non-integrated contribution of 3% of each Non-Key Employee's 415 Compensation shall be provided in the Money Purchase Plan (or other plan subject to Code Section 412), where the Employer maintains two (2) or more non-paired Defined Contribution Plans.
- c. Specify and attach to the Adoption Agreement the method under which the Plans will provide top heavy minimum benefits for Non-Key Employees that will preclude Employer discretion and avoid inadvertent omissions, including any adjustments required under Code Section 415(e).

MISCELLANEOUS

60. LOANS TO PARTICIPANTS (Plan Section 7.6)
- a. Will Loans be permitted?
1. Loans shall be permitted.
2. Loans shall not be permitted.
- b. If loans are permitted (select all that apply)...
1. loans will only be made for hardship or financial necessity.
2. the minimum loan will be \$1,000.00 (may not exceed \$1,000).
3. a Participant may only have 3 (three) (e.g., one (1)) loan(s) outstanding at any time.

c. Loans will only be permitted from the following accounts (select all that apply):

1. all accounts.
2. Participant's Elective Deferral Account.
3. Participant's Matching Contribution Account.
4. Participant's Profit Sharing Account.
5. Participant's Safe Harbor Contribution Account.
6. Participant's Qualified Matching Contributions Account.
7. Participant's Qualified Non-Elective Contribution Account.
8. Participant's Rollover Account.
9. Participant's Transfer Account.
10. Participant's Voluntary Contribution Account.
11. Other: _____

NOTE: All loans will be treated as Participant directed investments under the Plan. Department of Labor Regulations require the adoption of a separate written loan program setting forth the requirements outlined in Plan Section 7.6.

61. DIRECTED INVESTMENT ACCOUNTS (Plan Section 4.10)

a. Does the Plan intend to comply with Act Section 404(c)?

1. Yes.
2. No.

b. Will Participant directed investments be permitted?

1. No. Participant directed investments are not permitted.
2. Participant directed investments are permitted for the following accounts (select all that apply):
 - a. all accounts.
 - b. Participant's Elective Deferral Account.
 - c. Participant's Matching Contribution Account.
 - d. Participant's Profit Sharing Account.
 - e. Participant's Safe Harbor Contribution Account.
 - f. Participant's Qualified Matching Contributions Account.
 - g. Participant's Qualified Non-Elective Contribution Account.
 - h. Participant's Rollover Account.
 - i. Participant's Transfer Account.
 - j. Participant's Voluntary Contribution Account.
 - k. Other: _____

c. If Participant directed investments are permitted, investment in Employer Stock will be limited to the following amounts:

1. N/A, there will be no limitations.
2. _____% of a Participant's Elective Deferral Account.
3. _____% of a Participant's Matching Contribution Account.
4. _____% of a Participant's Profit Sharing Account.
5. _____% of a Participant's Safe Harbor Contribution Account.
6. _____% of a Participant's Qualified Matching Contributions Account.
7. _____% of a Participant's Qualified Non-Elective Contribution Account.
8. _____% of a Participant's Rollover Account.
9. _____% of a Participant's Transfer Account.
10. _____% of a Participant's Voluntary Contribution Account.
11. _____% of _____

d. If Participant directed investments are permitted, will voting rights on directed investments be passed through to Participants?

1. No. Employer stock is not an alternative OR Plan is not intended to comply with Act Section 404(c).
2. Yes, for Employer stock and securities held in brokerage accounts.
3. Yes, for all investments.

62. ROLLOVERS (Plan Section 4.6)

a. Will Rollovers be accepted by this Plan?

1. Rollovers will not be accepted by this Plan.
2. Rollovers will be accepted by this Plan.

- b. If Rollovers are accepted by this Plan, rollovers may be accepted ...
 - 1. from any Eligible Employee, even if not a Participant.
 - 2. from Participants only.
- c. And, distributions from a Participant's Rollover Account may be made...
 - 1. at any time.
 - 2. only when the Participant is otherwise entitled to a distribution under the Plan.

63 . EMPLOYEES' VOLUNTARY CONTRIBUTIONS (Plan Section 4.8)

- a. After-tax voluntary Employee contributions will not be allowed.
- b. Each Participant may elect to make after-tax voluntary Employee contributions:
 - 1. up to _____% of Compensation.
 - 2. from _____% to _____% of Compensation.
 - 3. up to a percentage of Compensation equal to _____% minus the rate of Salary Deferrals made by the Participant.
 - 4. up to the maximum percentage allowable not to exceed the limits of the Internal Revenue Code.
- c. If b. is selected, Highly Compensated Employees may only make after-tax voluntary Employee contributions (should not be greater than the limits specified above):
 - 1. N/A. Same limits as specified above.
 - 2. up to _____% of Compensation.
 - 3. from _____% to _____% of Compensation.
 - 4. up to a percentage of Compensation equal to _____% minus the rate of Salary Deferrals made by the Highly Compensated Employees.

64 . LIFE INSURANCE (Plan Section 7.5)

- a. May life insurance be purchased?
 - 1. Life insurance may not be purchased.
 - 2. Life insurance may be purchased at the option of the Administrator.
 - 3. Life insurance may be purchased at the option of the Participant.
- b. If life insurance may be purchased, the purchase of initial or additional life insurance will be subject to the following limitations (select all that apply):
 - 1. N/A, no limitations.
 - 2. The following limitations:
 - a. each initial Contract will have a minimum face amount of \$_____.
 - b. each additional Contract will have a minimum face amount of \$_____.
 - c. the Participant has completed _____ Years of Service (or Periods of Service).
 - d. the Participant has completed _____ Years of Service (or Periods of Service) while a Participant in the Plan.
 - e. the Participant is under age _____ on the Contract issue date.
 - f. the maximum amount of all Contracts on behalf of a Participant may not exceed \$_____.
 - g. the maximum face amount of any life insurance Contract will be \$_____.

GUST TRANSITION RULES

The following questions only apply if this is a GUST RESTATEMENT (i.e., Question 6.c. is selected). If this is not a GUST restatement, then this Plan will not be considered an individually designed plan merely because the following questions are deleted from the Adoption Agreement.

65 . COMPENSATION

The family aggregation rules of Code Section 401(a)(17) as in effect under Code Section 414(q)(6) prior to the enactment of SBJPA do not apply to this Plan effective as of:

- a. The first day of the first Plan Year beginning after 1996.
- b. _____ (may not be prior to the first day of the first Plan Year beginning in 1997 and may not be later than the first day of the Plan Year following the Plan Year in which this GUST restatement is adopted).

NOTE: If family aggregation continued to apply after 1996, the Plan is not a safe harbor plan for Code Section 401(a)(4)

purposes.

And, for Limitation Years beginning on and after January 1, 2001 or, if earlier, _____ (may not be earlier than the first day of the first Limitation Year beginning on or after January 1, 1998), for purposes of 415 Compensation and for purposes of applying the limitations described in section 4.4 of the Plan, compensation paid or made available during such limitation years shall include elective amounts that are not includable in the gross income of the employee by reason of Code Section 132(f)(4).

Check and complete the following if the Plan has excluded from 414(s) Compensation amounts that are not includable in gross income by reason of Code Section 132(f)(4):

For Plan Years beginning on and after _____ (may not be earlier than the first day of the first Plan Year for which the Plan was operated to exclude such amounts in accordance with Section 414(s) as amended by the Community Renewal Tax Relief Act of 2000, but in no case earlier than the first day of the first Plan Year beginning on or after January 1, 1998), 414(s) Compensation shall not include elective amounts that are not includable in the gross income of the Employee under Code Section 132(f)(4).

66. LIMITATION ON ALLOCATIONS AND TOP HEAVY RULES

If any Participant is a Participant in this Plan and a qualified defined benefit plan maintained by the Employer, then the limitations of Code Section 415(e) as in effect under Code Section 414(q)(6) prior to the enactment of SBJPA do not apply to this Plan effective with respect to Limitation Years beginning in or after:

- a. N/A. The Employer does not maintain, and has never maintained, a qualified defined benefit plan OR the provisions of Code Section 415(e) have already been removed from this Plan.
- b. _____ (may not be prior to the first Limitation Year beginning in 2000 and may not be later than the first Limitation Year beginning after the Limitation Year in which this GUST restatement is adopted).

NOTE:If the Code Section 415(e) limits continued to apply to Limitation Years beginning after 1999, the Plan is not a safe harbor plan for Code Section 401(a)(4) purposes.

AND, if b. is selected with a date that is later than the effective date of this GUST restatement, then with respect to the Limitation Year in which this restatement is adopted, if any Participant is a Participant in this Plan and a qualified defined benefit plan maintained by the Employer, specify the method under which the plans involved will provide top heavy minimum benefits for Non-Key Employees and will satisfy the limitations of Code Section 415(e) in a manner that precludes Employer discretion:

- c. N/A. The effective date of the GUST restatement is the date the provisions of Code Section 415(e) no longer apply to this Plan.
- d. _____

NOTE:If the top heavy minimum benefit is only provided in one plan and the Defined Benefit Plan and this Plan do not benefit the same Participants, the uniformity requirement of the Section 401(a)(4) Regulations may be violated.

67. INVOLUNTARY DISTRIBUTIONS

If the Plan provides for involuntary distributions (i.e., 49.b. is elected) then the increase in the involuntary amount threshold from \$3,500 to \$5,000 became effective with respect to distributions made on or after:

- a. N/A. The plan doesn't provide for involuntary distributions less than \$5,000.
- b. August 6, 1997, or if later _____ (leave blank if not applicable).

68. 2001 MINIMUM DISTRIBUTION TRANSITION RULES (Plan Section 6.5(e))

With respect to required minimum distributions under the Plan made on or after January 1, 2002 or, as of _____ (not earlier than January 1, 2001), the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001 (the 2001 Proposed Regulations), notwithstanding any provision of the Plan to the contrary. If a date earlier than January 1, 2002 is selected above and the total amount of required minimum distributions made to a participant for 2001 prior to such date are equal to or greater than the amount of required minimum distributions determined under the 2001 Proposed Regulations, then no additional distributions are required for such participant for 2001 on or after such date. In addition, if a date earlier than January 1, 2002 is selected above and the total amount of required minimum distributions made to a participant for 2001 prior to such date are less than the amount determined under the 2001 Proposed Regulations, then the amount of required minimum distributions for 2001 on or after such date will be determined so that the total amount of required minimum distributions for 2001 is the amount determined under the 2001 Proposed Regulations. This amendment shall continue in effect until the last calendar year beginning before the effective date of the final regulations under section 401(a)(9) or such other date as may be published by the Internal Revenue Service.

The adopting Employer may rely on an opinion letter issued by the Internal Revenue Service as evidence that the Plan is qualified under Section 401 of the Internal Revenue Code only to the extent provided in Announcement 2001-77, 2001-30 I.R.B.

The Employer may not rely on the opinion letter in certain other circumstances or with respect to certain qualification requirements, which are specified in the opinion letter issued with respect to the Plan and in Announcement 2001-77.

In order to have reliance in such circumstances or with respect to such qualification requirements, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service.

This Adoption Agreement may be used only in conjunction with the MFS Retirement Services, Inc. Prototype Paired Defined Contribution Plans for Corporations, Associations and Self-Employed Individuals, Basic Plan Document #01. This Adoption Agreement and the basic Plan document shall together be known as MFS Retirement Services, Inc. Non-Standardized 401(k) Profit Sharing Plan and Trust # 001.

The adoption of this Plan, its qualification by the IRS, and the related tax consequences are the responsibility of the Employer and its independent tax and legal advisors.

MFS Retirement Services, Inc. will notify the Employer of any amendments made to the Plan or of the discontinuance or abandonment of the Plan provided this Plan has been acknowledged by MFS Retirement Services, Inc. or its authorized representative. Furthermore, in order to be eligible to receive such notification, we agree to notify MFS Retirement Services, Inc. of any change in address.

The Employer fully acknowledges and agrees that MFS HERITAGE TRUST COMPANY (MHTC) will act as Directed Trustee only when all Plan investments are maintained on a participant recordkeeping system used by MFS Retirement Services, Inc. pursuant to a contract for recordkeeping and administrative support service and all other requirements imposed by MHTC are satisfied. The Plan Administrator is responsible for directing MHTC in the performance of the rights, powers, duties, and obligations of the Trustee, including without limitation, those rights, powers, duties and obligations with respect to the investment and distribution of Plan assets.

The Employer in adopting this prototype Plan hereby accepts full responsibility for the tax and legal aspects of the Plan and Trust and hereby confirms that it has received independent legal and tax advice from its own attorneys and advisors. It is hereby agreed and understood by the parties hereto that neither MFS nor any of its agents or employees has any responsibility with respect to the legal or tax aspects of the Plan and Trust. The Employer acknowledges that it has sole responsibility for maintaining all original documents relating to this Plan.

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April, 2002

IN WITNESS WHEREOF, the Employer and Trustee hereby cause this Plan to be executed on this _____ day of _____, _____. Furthermore, this Plan may not be used unless acknowledged by MFS Retirement Services, Inc. or its authorized representative.

EMPLOYER:

J & J Snack Foods Corp.
(enter name)

By: _____

The signature of the Trustee appears on a separate trust agreement attached to the Plan, or,

The following Acceptance of the MFS Heritage Trust Company will be completed if MHTC is named as Trustee:

MFS Heritage Trust Company

By: _____
Authorized Officer

This Plan may not be used, and shall not be deemed to be a Prototype Plan, unless an authorized representative of MFS Retirement Services, Inc. has acknowledged the use of the Plan. Such acknowledgment is for administrative purposes only. It acknowledges that the Employer is using the Plan but does not represent that this Plan, including the choices selected on the Adoption Agreement, has been reviewed by a representative of the prototype sponsor or constitutes a qualified retirement plan.

MFS Retirement Services, Inc.

By: _____

With regard to any questions regarding the provisions of the Plan, adoption of the Plan, or the effect of an opinion letter from the IRS, call or write (this information must be completed by the sponsor of this Plan or its designated representative):

Name Christian Giorgi
Address MFS Retirement Services, Inc.
500 Boylston Street, Boston, Massachusetts 02116
Telephone (617) 954-5000

AMENDMENT #1

TO THE

MFS RETIREMENT SERVICES, INC.

PROTOTYPE PAIRED DEFINED CONTRIBUTION PLANS

For

CORPORATIONS, ASSOCIATIONS AND SELF-EMPLOYED INDIVIDUALS

EGTRRA AMENDMENT

**ARTICLE I
PREAMBLE**

- 1.1 Adoption and effective date of amendment. This amendment of the plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.
- 1.3 Supersession of inconsistent provisions. This amendment shall supersede the provisions of the plan to the extent those provisions are inconsistent with the provisions of this amendment.

**ARTICLE II
ADOPTION AGREEMENT ELECTIONS**

The questions in this Article II only need to be completed in order to override the default provisions set forth below. If all of the default provisions will apply, then these questions should be skipped and the employer does not need to execute this amendment.

Unless the employer elects otherwise in this Article II, the following defaults apply:

- 1) **The vesting schedule for matching contributions will be a 6-year graded schedule (if the plan currently has a graded schedule that does not satisfy EGTRRA) or a 3 year cliff schedule (if the plan currently has a cliff schedule that does not satisfy EGTRRA), and such schedule will apply to all matching contributions (even those made prior to 2002).**
- 2) **Rollovers are automatically excluded in determining whether the \$5,000 threshold has been exceeded for automatic cash-outs. This is applied to all participants regardless of when the distributable event occurred.**
- 3) **The suspension period after a hardship distribution is made will be 6 months and this will only apply to hardship distributions made after 2001.**
- 4) **Catch-up contributions will be allowed.**
- 5) **The employer may limit the source of rollover contributions received by the plan on an operational and non-discriminatory basis.**

2.1 **Vesting Schedule for Matching Contributions**

If there are matching contributions subject to a vesting schedule that does not satisfy EGTRRA, then unless otherwise elected below, for participants who complete an hour of service in a plan year beginning after December 31, 2001, the following vesting schedule will apply to all matching contributions subject to a vesting schedule:

If the plan has a graded vesting schedule (i.e., the vesting schedule includes a vested percentage that is more than 0% and less than 100%) the following will apply:

Years of vesting service	Nonforfeitable percentage
2	20%
3	40%
4	60%
5	80%
6	100%

If the plan does not have a graded vesting schedule, then matching contributions will be nonforfeitable upon the completion of 3 years of vesting service.

The vesting schedule set forth herein shall only apply to participants who complete an hour of service in a plan year beginning after December 31, 2001, and shall apply to **all** matching contributions subject to a vesting schedule.

- 2.2 **Exclusion of Rollovers in Application of Involuntary Cash-out Provisions.** Unless one of the options below is elected, effective for distributions made after December 31, 2001, rollover contributions will be excluded in determining the value of the participant's nonforfeitable account balance for purposes of the plan's involuntary cash-out rules.
- a. Rollover contributions will not be excluded.
 - b. Rollover contributions will be excluded only with respect to distributions made after _____ (Enter a date no earlier than December 31, 2001).

- 2.3 **Suspension period of hardship distributions.** If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then, unless the option below is elected, the 6 month suspension period following a hardship distribution shall only apply to hardship distributions made after December 31, 2001.
- a. With regard to hardship distributions made during 2001, a participant shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.
 - b. N/A.
- 2.4 **Catch-up contributions (for 401(k) profit sharing plans only):** For plan years beginning after December 31, 2001, or, as of January 1, 2002 (not earlier than January 1, 2002), the plan permits catch-up contributions and such contributions shall be matched in accordance with the plan's matching contribution formula (Article VI) unless elected below.
- a. The plan does not permit catch-up contributions to be made.
 - b. The plan will not match catch-up contributions.
- 2.5 **Rollovers from other plans.** The plan permits the employer, operationally and on a non-discriminatory basis, to limit the source of rollover contributions that may be accepted (Article XII) except as elected below.
- a. The plan will not accept rollovers of after-tax employee contributions.
 - b. N/A.

ARTICLE III VESTING OF MATCHING CONTRIBUTIONS

- 3.1 Applicability. This Article shall apply to participants who complete an Hour of Service after December 31, 2001, with respect to accrued benefits derived from employer matching contributions.
- 3.2 Vesting schedule. A participant's accrued benefit derived from employer matching contributions shall vest as provided in Section 2.1 of this amendment.

ARTICLE IV INVOLUNTARY CASH-OUTS

- 4.1 Applicability and effective date. If the plan provides for involuntary cash-outs of amounts less than \$5,000, then unless otherwise elected in Section 2.2 of this amendment, this Article shall apply for distributions made after December 31, 2001, and shall apply to all participants.
- 4.2 Rollovers disregarded in determining value of account balance for involuntary distributions. For purposes of the Sections of the plan that provide for the involuntary distribution of vested accrued benefits of \$5,000 or less, the value of a participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the participant's nonforfeitable account balance as so determined is \$5,000 or less, then the plan shall immediately distribute the participant's entire nonforfeitable account balance.

ARTICLE V HARDSHIP DISTRIBUTIONS

- 5.1 Applicability and effective date. If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then this Article shall apply for calendar years beginning after 2001.
- 5.2 Suspension period following hardship distribution. A participant who receives a distribution of elective deferrals after December 31, 2001, on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for 6 months after receipt of the distribution. Furthermore, if elected by the employer in Section 2.3 of this amendment, a participant who receives a distribution of elective deferrals in calendar year 2001 on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.

**ARTICLE VI
CATCH-UP CONTRIBUTIONS**

Catch-up Contributions. Unless otherwise elected in Section 2.4 of this amendment, all employees who are eligible to make elective deferrals under this plan and who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the plan implementing the required limitations of Sections 402(g) and 415 of the Code. The plan shall not be treated as failing to satisfy the provisions of the plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

**ARTICLE VII
INCREASE IN COMPENSATION LIMIT**

Increase in Compensation Limit. The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

**ARTICLE VIII
PLAN LOANS**

Plan loans for owner-employees or shareholder-employees. If the plan permits loans to be made to participants, then effective for plan loans made after December 31, 2001, plan provisions prohibiting loans to any owner-employee or shareholder-employee shall cease to apply.

**ARTICLE IX
LIMITATIONS ON CONTRIBUTIONS (IRC SECTION 415 LIMITS)**

- 9.1 Effective date. This Section shall be effective for limitation years beginning after December 31, 2001.
- 9.2 Maximum annual addition. Except to the extent permitted under Article XIV of this amendment and Section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a participant's account under the plan for any limitation year shall not exceed the lesser of:
- (a) \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or
 - (b) 100 percent of the participant's compensation, within the meaning of Section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

**ARTICLE X
MODIFICATION OF TOP-HEAVY RULES**

- 10.1 Effective date. This Article shall apply for purposes of determining whether the plan is a top-heavy plan under Section 416(g) of the Code for plan years beginning after December 31, 2001, and whether the plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This Article amends the top-heavy provisions of the plan.

10.2 Determination of top-heavy status.

10.2.1 Key employee. Key employee means any employee or former employee (including any deceased employee) who at any time during the plan year that includes the determination date was an officer of the employer having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

10.2.2 Determination of present values and amounts. This Section 10.2.2 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the determination date.

- a. Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the plan and any plan aggregated with the plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."
- b. Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

10.3 Minimum benefits.

10.3.1 Matching contributions. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the plan. The preceding sentence shall apply with respect to matching contributions under the plan or, if the plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

10.3.2 Contributions under other plans. The employer may provide, in an addendum to this amendment, that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met). The addendum should include the name of the other plan, the minimum benefit that will be provided under such other plan, and the employees who will receive the minimum benefit under such other plan.

ARTICLE XI DIRECT ROLLOVERS

11.1 Effective date. This Article shall apply to distributions made after December 31, 2001.

11.2 Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions of the plan, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.

11.3 Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of the direct rollover provisions of the plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

- 11.4 Modification of definition of eligible rollover distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in the plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

**ARTICLE XII
ROLLOVERS FROM OTHER PLANS**

Rollovers from other plans. Except as otherwise elected in Section 2.5 of this amendment, the employer, operationally and on a nondiscriminatory basis, may limit the source of rollover contributions that may be accepted by this plan.

**ARTICLE XIII
REPEAL OF MULTIPLE USE TEST**

Repeal of Multiple Use Test. The multiple use test described in Treasury Regulation Section 1.401(m)-2 and the plan shall not apply for plan years beginning after December 31, 2001.

**ARTICLE XIV
ELECTIVE DEFERRALS**

- 14.1 Elective Deferrals - Contribution Limitation. No participant shall be permitted to have elective deferrals made under this plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable.
- 14.2 Maximum Salary Reduction Contributions for SIMPLE plans. If this is a SIMPLE 401(k) plan, then except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable, the maximum salary reduction contribution that can be made to this plan is the amount determined under Section 408(p)(2)(A)(ii) of the Code for the calendar year.

**ARTICLE XV
SAFE HARBOR PLAN PROVISIONS**

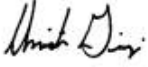
Modification of Top-Heavy Rules. The top-heavy requirements of Section 416 of the Code and the plan shall not apply in any year beginning after December 31, 2001, in which the plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met.

**ARTICLE XVI
DISTRIBUTION UPON SEVERANCE OF EMPLOYMENT**

- 16.1 Effective date. This Article shall apply for distributions and transactions made after December 31, 2001, regardless of when the severance of employment occurred.
- 16.2 New distributable event. A participant's elective deferrals, qualified nonelective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the participant's severance from employment. However, such a distribution shall be subject to the other provisions of the plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

Except with respect to any election made by the employer in Article II, this amendment is hereby adopted by the prototype sponsor on behalf of all adopting employers on January 1, 2002.

MFS Retirement Services, Inc.

By: 

Authorized Officer

NOTE: The employer only needs to execute this amendment if an election has been made in Article II of this amendment.

This amendment has been executed this _____ day of _____, _____.

Name of Employer: J & J Snack Foods Corp.

By: _____
EMPLOYER

Name of Plan: J & J Snack Foods Corp. 401(k) Profit Sharing Plan

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April, 2002

AMENDMENT #2

TO THE

MFS RETIREMENT SERVICES, INC.

PROTOTYPE PAIRED DEFINED CONTRIBUTION PLANS

For

CORPORATIONS, ASSOCIATIONS AND SELF-EMPLOYED INDIVIDUALS

RMD MODEL AMENDMENT

ARTICLE I

PREAMBLE

Adoption by prototype sponsor.

This amendment of the MFS Retirement Services, Inc. Prototype Paired Defined Contribution Plans for Corporations, Associations and Self-Employed Individuals, Basic Plan Document #01 ("Plan") is a model amendment as provided in Revenue Procedure 2002-29 and is adopted as Article XIV of the Plan to comply with the final and temporary regulations under §401(a)(9) of the Internal Revenue Code. Except as otherwise provided herein, pursuant to Section 5.01 of Revenue Procedure 2000-20 and Section 3.03 of Revenue Procedure 2002-29, the sponsor hereby adopts this amendment on behalf of all adopting employers.

Supersession of inconsistent provisions.

This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

MINIMUM DISTRIBUTION REQUIREMENTS

Section 1. General Rules.

1.1. **Effective Date.** Unless an earlier effective date is specified in the adoption agreement, the provisions of this article will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

1.2. **Coordination with Minimum Distribution Requirements Previously in Effect.** If the adoption agreement specifies an effective date of this article that is earlier than calendar years beginning with the 2003 calendar year, required minimum distributions for 2002 under this article will be determined as follows. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this article equals or exceeds the required minimum distributions determined under this article, then no additional distributions will be required to be made for 2002 on or after such date to the distributee. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this article is less than the amount determined under this article, then required minimum distributions for 2002 on and after such date will be determined so that the total amount of required minimum distributions for 2002 made to the distributee will be the amount determined under this article.

1.3. **Precedence.** The requirements of this article will take precedence over any inconsistent provisions of the Plan.

1.4. **Requirements of Treasury Regulations Incorporated.** All distributions required under this article will be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Internal Revenue Code.

1.5. **TEFRA Section 242(b)(2) Elections.** Notwithstanding the other provisions of this article, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

Section 2. Time and Manner of Distribution.

2.1. **Required Beginning Date.** The participant's entire interest will be distributed, or begin to be distributed, to the participant no later than the participant's required beginning date.

2.2. **Death of Participant Before Distributions Begin.** If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

- (a) If the participant's surviving spouse is the participant's sole designated beneficiary, then, except as provided in the adoption agreement, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age 70 1/2, if later.
- (b) If the participant's surviving spouse is not the participant's sole designated beneficiary, then, except as provided in the adoption agreement, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.
- (c) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

- (d) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse begin, this section 2.2, other than section 2.2(a), will apply as if the surviving spouse were the participant.

For purposes of this section 2.2 and section 4, unless section 2.2(d) applies, distributions are considered to begin on the participant's required beginning date. If section 2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

2.3. Forms of Distribution. Unless the participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with sections 3 and 4 of this article. If the participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and the Treasury regulations.

Section 3. Required Minimum Distributions During Participant's Lifetime.

3.1. Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

- (a) the quotient obtained by dividing the participant's account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the participant's age as of the participant's birthday in the distribution calendar year; or
- (b) if the participant's sole designated beneficiary for the distribution calendar year is the participant's spouse, the quotient obtained by dividing the participant's account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the distribution calendar year.

3.2. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this section 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the participant's date of death.

Section 4. Required Minimum Distributions After Participant's Death.

4.1. Death On or After Date Distributions Begin.

- (a) Participant Survived by Designated Beneficiary. If the participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the longer of the remaining life expectancy of the participant or the remaining life expectancy of the participant's designated beneficiary, determined as follows:
 - (1) The participant's remaining life expectancy is calculated using the age of the participant in the year of death, reduced by one for each subsequent year.
 - (2) If the participant's surviving spouse is the participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
 - (3) If the participant's surviving spouse is not the participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the participant's death, reduced by one for each subsequent year.
- (b) No Designated Beneficiary. If the participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the participant's remaining life expectancy calculated using the age of the participant in the year of death, reduced by one for each subsequent year.

4.2. Death Before Date Distributions Begin.

- (a) Participant Survived by Designated Beneficiary. Except as provided in the adoption agreement, if the participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the participant's death is the quotient obtained by dividing the participant's account balance by the remaining life expectancy of the participant's designated beneficiary, determined as provided in section 4.1.
- (b) No Designated Beneficiary. If the participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.
- (c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the participant dies before the date distributions begin, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under section 2.2(a), this section 4.2 will apply as if the surviving spouse were the participant.

Section 5. Definitions.

5.1. Designated beneficiary. The individual who is designated as the beneficiary under section 1.9 of Article I of the Plan and is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

5.2. Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the participant's required beginning date. For distributions beginning after the participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 2.2. The required minimum distribution for the participant's first distribution calendar year will be made on or before the participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

5.3. Life expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

5.4. Participant's account balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5. Required beginning date. The date specified in section 6.5 of Article VI of the Plan.

ADOPTION AGREEMENT ELECTIONS

(Check and complete section 1 below if any required minimum distributions for the 2002 distribution calendar year were made in accordance with the §401(a)(9) Final and Temporary Regulations.)

1. Effective Date of Plan Amendment for Section 401(a)(9) Final and Temporary Treasury Regulations.

- Article XIV, Minimum Distribution Requirements, applies for purposes of determining required minimum distributions for distribution calendar years beginning with the 2003 calendar year, as well as required minimum distributions for the 2002 distribution calendar year that are made on or after January 1, 2002.

(Check and complete any of the remaining sections if you wish to modify the rules in sections 2.2 and 4.2 of Article XIV of the Plan.)

2. Election to Apply 5-Year Rule to Distributions to Designated Beneficiaries.

- If the participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in section 2.2 of Article XIV of the Plan, but the participant's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the participant's death. If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to either the participant or the surviving spouse begin, this election will apply as if the surviving spouse were the participant.

This election will apply to:

- All distributions.
 The following distributions: _____

3. Election to Allow Participants or Beneficiaries to Elect 5-Year Rule.


- Participants or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections 2.2 and 4.2 of Article XIV of the Plan applies to distributions after the death of a participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section 2.2 of Article XIV of the Plan, or by September 30 of the calendar year which contains the fifth anniversary of the participant's (or, if applicable, surviving spouse's) death. If neither the participant nor beneficiary makes an election under this paragraph, distributions will be made in accordance with sections 2.2 and 4.2 of Article XIV of the Plan and, if applicable, the elections in section 2 above.

4. Election to Allow Designated Beneficiary Receiving Distributions Under 5-Year Rule to Elect Life Expectancy Distributions.

- A designated beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the 5-year period.

Except with respect to any adoption agreement elections made by the employer above, this amendment is hereby adopted by the prototype sponsor on behalf of all adopting employers on _____, _____.

MFS Retirement Services, Inc.

By: 

Authorized Officer

NOTE: The employer only needs to execute this amendment if an adoption agreement election has been made above.

This amendment has been executed this _____ day of _____, _____.

Name of Employer: J & J Snack Foods Corp.

By: _____

EMPLOYER

Name of Plan: J & J Snack Foods Corp. 401(k) Profit Sharing Plan

© Copyright 2002 MFS Retirement Services, Inc.

April, 2002

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: Country Home Bakers

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 30-0220338

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

Country Home Bakers

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J & J Snack Foods Corp. of California

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 95-3255003

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J & J Snack Foods Corp. of California

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J & J Snack Foods Corp. of Pennsylvania

Address: 6000 Central Highway

City: Pennsauken **State:** New Jersey **Zip:** 08109

Telephone: 856-665-9534 **Federal Tax Identification Number:** 23-2241497

Type of Entity: (select one)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J & J Snack Foods Corp. of Pennsylvania

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J&J Snack Foods Corp/Midwest

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-6659534 Federal Tax Identification Number: 36-3378856

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J&J Snack Foods Corp/Midwest

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J&J Snack Foods Transport Corp.

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 22-2709258

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J&J Snack Foods Transport Corp.

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J&J Snack Foods Sales Corp.

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 22-2839684

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J&J Snack Foods Sales Corp.

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: The Icee Company

Address: 4701 Airport Drive

City: Ontario State: California Zip: 91761

Telephone: 856-665-9534 Federal Tax Identification Number: 95-2499371

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

The Icee Company

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J&J Snack Foods Corp. /MIA

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 23-2520182

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J&J Snack Foods Corp./MIA

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: Federal PBC Company

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 22-3682113

Type of Entity: (select one)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

Federal PBC Company

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: Baker's Best Snack Foods Corp

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 23-2861675

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

Baker's Best Snack Foods Corp.

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: J&J Snack Foods Investment Corp.

Address: 6000 Central Highway

City: Pennsauken State: New Jersey Zip: 08109

Telephone: 856-665-9534 Federal Tax Identification Number: 52-1461740

Type of Entity: (select one)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

J&J Snack Foods Investment Corp.

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

Participating Employer Agreement

Affiliated Employer Information

J & J Snack Foods Corp. 401(k) Profit Sharing Plan

Name of Employer: Pretzels, Inc.

Address: 6000 Central Highway

City: Pennsauken **State:** New Jersey **Zip:** 08109

Telephone: 856-665-9534 **Federal Tax Identification Number:** 75-1885843

Type of Entity: (select one)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Corporation (including tax-exempt or Non-profit Corporation) | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Professional Service Corporation | <input type="checkbox"/> Partnership (including Limited Liability Partnership) |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other: _____ | |

The Affiliated Employer identified above elects to participate in the J & J Snack Foods Corp. 401(k) Profit Sharing Plan sponsored by the Employer identified in the Adoption Agreement (the "Adopting Employer") to which this Participating Employer Agreement is attached. The Affiliated Employer accepts all of the terms of the Plan as executed by the Adopting Employer.

Pretzels, Inc.

Affiliated Employer

By: _____

Date: _____

J & J Snack Foods Corp.

Adopting Employer

By: _____

Date: _____

**J & J SNACK FOODS CORP.
DIRECTORS' AND CONSULTANTS'
DEFERRED COMPENSATION PLAN**

Dated as of November 21, 2005

ARTICLE ONE

Deferred Stock Accounts

1.1. Creation of Deferred Stock Accounts. J & J Snack Foods Corp. (the "Company") shall establish for each non-management director of the Company or consultants approved by the Board of Directors (a "Participant") a Deferred Compensation Stock Account.

1.2. Committee. The Deferred Compensation Plan shall be administered by a Committee which shall be the Board of Directors as a whole or such other committee of the Board as may be appointed from time to time for purposes of administering the Plan.

1.3. Crediting Stock. The Company's Board of Directors or committee thereof may establish from time to time the number of shares of Company stock ("Stock") that are to be credited to each Participant's account as full or partial payment for the annual services of such director or consultant to the Company.

1.4. Time of Issuance of Stock. Except as provided in section 1.7 hereof, the Company shall issue shares to a Participant in the Deferred Compensation Plan on the 30th day of a calendar quarter following the date of:

- (i) Retirement as a Director;
- (ii) Termination of Board membership;
- (iii) Termination of status as a consultant; or
- (iv) Death.

Notwithstanding the foregoing, in no event shall any stock be issued within six (6) months of the Stock being earned or awarded.

1.5. Adjustment of the Number of Shares in a Deferred Compensation Stock Account. In the event of any change in the outstanding shares of the Common Stock by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares will be appropriately adjusted in a manner to be determined in the sole discretion of the Committee.

1.6. Legends on Certificates. At the time of issuance of Stock pursuant to the Plan, the Company may require such restrictions, legends or other provisions as it deems necessary to comply with any federal or state securities laws.

1.7. Delay in Issuing Stock. The Company may delay the issuance of Stock otherwise required pursuant to Section 1.4 hereof during any period of time in which the Company deems that the issuance of Stock may violate a federal, state, local or securities exchange rule, regulation or law or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell.

1.8. Dividends and Voting. The Stock credited to each Participant's Deferred Compensation Account is not issued and outstanding shares of Company Stock until such shares are issued pursuant to Section 1.4 hereof. A Participant shall not be entitled to vote or receive dividends with respect to Stock in a Deferred Compensation Account.

ARTICLE TWO

Designation of Beneficiaries

2.1. Designation of Beneficiary. The Participant shall name one or more beneficiaries and contingent beneficiaries to receive any Stock due Participant at the time of death. No designation of beneficiaries shall be valid unless in writing signed by the Participant, dated and filed with the Committee during the lifetime of such Participant. A subsequent beneficiary designation will cancel all beneficiary designations signed and filed earlier under this Plan, and such new beneficiary designation shall be applied to all amounts previously credited to the Participant's Deferred Compensation Account as well as to any amounts to be credited to such Participant's Deferred Compensation Account, prospectively. In case of a failure of designation, on the death of the designated beneficiary without a designated successor, distribution shall be paid in one lump sum to the estate of the Participant.

2.2. Spouse's Interest. The interest in any amounts hereunder of a spouse who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

ARTICLE THREE

Miscellaneous

3.1. Nonalienation of Benefits. Participant shall not have the right to sell, assign, transfer or otherwise convey or encumber in whole or in part the right to receive any Stock to be issued under this Plan.

3.2. Acceptance of Terms. The terms and conditions of this Plan shall be binding upon the heirs, beneficiaries and other successors in interest of Participant to the same extent that said terms and conditions are binding upon the Participant.

3.3. Administration of the Plan. The Plan shall be administered by the Committee which may make such rules and regulations and establish such procedures for the administration of this Plan as it deems appropriate. In the event of any dispute or disagreements as to the interpretation of this Plan of any rule, regulation or procedure or as to any questioned right or obligation arising from or related to this Plan, the decision of the Committee shall be final and binding upon all persons.

3.4. Termination and Amendment. The Plan may be terminated at any time by the Board of Directors of J & J Snack Foods Corp., and may be amended at any time by the Committee; provided, however, that, without the prior written consent of the Participant, no such amendment or termination shall affect adversely the rights of any Participant or beneficiary of a Participant with respect to amounts credited to such Participant's Deferred Compensation Account.

3.5. Severability. In the case any one or more of the provisions contained in this Plan shall be invalid, illegal or unenforceable in any respect the remaining provisions shall be construed in order to effectuate the purposes hereof and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

3.6. Governing Law. THIS PLAN SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

EXHIBIT 21.1 – SUBSIDIARIES OF J & J SNACK FOODS CORP.

**Place of
Incorporation**

J & J Snack Foods Investment Corp.	Delaware
The ICEE Company	Delaware
J & J Snack Foods Corp. of California	California
J & J Snack Foods Corp./Midwest	Illinois
J & J Snack Foods Corp./Mia	Pennsylvania
J & J Snack Foods Corp. of Pennsylvania	Pennsylvania
J & J Snack Foods Sales Corp.	New Jersey
J & J Snack Foods Transport Corp.	New Jersey
ICEE-Canada, Inc.	Canada
ICEE de Mexico, S.A. De C.V.	Mexico
J & J Restaurant Group, LLC	
Bakers Best Snack Food Corp.	Pennsylvania
Pretzels, Inc.	Texas
Federal PBC Company	Pennsylvania
Country Home Bakers, Inc.	Georgia
ICEE of Hawaii, Inc.	Hawaii

EXHIBIT 23.1Consent of Independent Registered Public Accounting Firm

We have issued our reports dated November 10, 2006 (except for Note G as to which the date is December 1, 2006) accompanying the consolidated financial statements and schedule and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report of J & J Snack Foods Corp. and Subsidiaries on Form 10-K for the year ended September 30, 2006. We hereby consent to the incorporation by reference of said reports in the Registration Statements of J & J Snack Foods Corp. and Subsidiaries on Forms S-8 (File No. 333-111292, effective December 18, 2003, File No. 333-94795, effective January 18, 2000, File No. 333-03833, effective May 16, 1996, File No. 33-87532, effective December 16, 1994 and File No. 33-50036, effective July 24, 1992).

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
December 8, 2006

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis G. Moore, certify that:

1. I have reviewed this report on Form 10-K of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 6, 2006

/s/ Dennis G. Moore

Dennis G. Moore
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald B. Shreiber, certify that:

1. I have reviewed this report on Form 10-K of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 6, 2006

/s/ Gerald B. Shreiber

Gerald B. Shreiber
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Annual Report of the Company on Form 10-K for the year ended September 30, 2006 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 6, 2006

/s/ Dennis G. Moore

Dennis G. Moore
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Annual Report of the Company on Form 10-K for the year ended September 30, 2006 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 6, 2006

/s/ Gerald B. Shreiber

Gerald B. Shreiber
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.
