

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2004-08-16** | Period of Report: **2004-06-30**
SEC Accession No. **0001035704-04-000463**

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FILER

CENTENNIAL SPECIALTY FOODS CORP

CIK: **1227167** | IRS No.: **840677455** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **001-31816** | Film No.: **04979678**
SIC: **2030** Canned, frozen & preservd fruit, veg & food specialties

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

**Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For The Quarterly Period Ended June 30, 2004

Commission File Number: 001-31816

Centennial Specialty Foods Corporation

(Exact name of registrant as specified in its charter as amended)

Delaware

(State or other jurisdiction of incorporation
or organization)

55-0825751

(IRS Employer Identification No.)

**10700 E. Geddes Ave. #170
Centennial, Colorado**

(Address of principal executive offices)

80112

(Zip Code)

(303) 292-4018

(Registrant's telephone number, including area code)

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 for 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 No

Number shares of common stock outstanding at the latest practicable date: July 31, 2004: 5,050,000.

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CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets

	<u>June 30,</u> <u>2004</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2003</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 286,123	\$ 6,076,479
Accounts receivable, net of allowance for doubtful accounts of \$25,483 and \$25,483, respectively	376,036	303,848
Other receivable	57,497	-
Inventory, net	1,759,651	1,043,540
Prepaid expenses	106,490	186,086
Total current assets	<u>2,585,797</u>	<u>7,609,953</u>
Non-current assets		
Property, plant and equipment, net	6,020,536	6,112,215
Goodwill, net	1,634,079	1,634,079
Other assets	70,610	70,000
Other long-term receivable	-	170,000
Total non-current assets	<u>7,725,225</u>	<u>7,986,294</u>
Total assets	<u>\$ 10,311,022</u>	<u>\$ 15,596,247</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable - trade	\$ 273,904	\$ 1,022,268
Accrued liabilities	603,102	578,134
Accrued dividends payable	-	172,603
Related party payable	-	365,394
Current portion of long-term debt	-	750,250
Note payable - stockholder	-	908,900
Total current liabilities	<u>877,006</u>	<u>3,797,549</u>
Long-term debt	2,084,750	3,503,454
Deferred tax liability	273,150	530,662
Total long-term liabilities	<u>2,357,900</u>	<u>4,034,116</u>
Total liabilities	<u>3,234,906</u>	<u>7,831,665</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock (liquidation preference \$10,250,000), 3,000,000 shares authorized, 2,000,000 shares issued and outstanding, \$5 stated value, 10% dividend	2,334,785	2,334,785
Common stock, \$0.0001 par value, 47,000,000 shares authorized, 5,050,000 shares issued and outstanding	505	505
Additional paid-in capital	5,794,036	5,794,036
Accumulated deficit	(1,053,210)	(364,744)
Total stockholders' equity	<u>7,076,116</u>	<u>7,764,582</u>
Total liabilities and stockholders' equity	<u>\$ 10,311,022</u>	<u>\$ 15,596,247</u>

See notes to consolidated financial statements.

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Consolidated Unaudited Statements of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 947,064	\$ 1,218,154	\$ 2,074,547	\$ 2,414,216
Cost of goods sold	873,715	796,775	1,619,890	1,542,844
Gross profit	73,349	421,379	454,657	871,372
Selling, general and administrative expenses	735,010	427,228	1,312,698	813,458
Income (loss) from operations	(661,661)	(5,849)	(858,041)	57,914
Other income (expense)				
Interest expense	(31,223)	(129,302)	(143,228)	(256,315)
Rent income	146,710	158,581	305,291	317,162
Total other income	115,487	29,279	162,063	60,847
Income (loss) before income taxes	(546,174)	23,430	(695,978)	118,761
Income tax benefit - deferred	202,084	-	257,512	-
Income tax expense - pro forma	-	(8,628)	-	(43,900)
Total income tax benefit (expense)	202,084	(8,628)	257,512	(43,900)
Net income (loss)	\$ (344,090)	\$ 14,802	\$ (438,466)	\$ 74,861
Net income (loss) before preferred stock dividends	\$ (344,090)	\$ 14,802	\$ (438,466)	\$ 74,861
Preferred stock dividends - paid	-	-	(250,000)	-
Preferred stock dividends - arrears	(250,000)	-	(250,000)	-
Total preferred stock dividends	(250,000)	-	(500,000)	-
Net income (loss) available to common shareholders	\$ (594,090)	\$ 14,802	\$ (938,466)	\$ 74,861
Basic and diluted net income (loss) per common share	\$ (0.12)	\$ 0.00	\$ (0.19)	\$ 0.02

Basic and diluted weighted average common shares outstanding	5,050,000	3,500,000	5,050,000	3,500,000
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See notes to consolidated financial statements.

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Consolidated Unaudited Statements of Cash Flows

	For the Six Months Ended	
	June 30,	
	2004	2003
Cash flows from operating activities		
Net income (loss)	\$ (438,466)	\$ 118,761
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	116,960	117,919
Deferred income taxes	(257,512)	-
Changes in assets and liabilities		
Accounts and other receivables	(129,685)	174,356
Inventory	(716,111)	(69,567)
Prepaid expenses	79,596	(185,824)
Accounts payable - trade	(748,364)	5,297
Accrued liabilities	24,968	(154,503)
Related party payable	(195,394)	-
	(1,825,542)	(112,322)
Net cash provided (used) by operating activities	(2,264,008)	6,439
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,220)	(32,200)
Net cash used in investing activities	(18,220)	(32,200)
Cash flows from financing activities		
Net proceeds from revolving line of credit	2,084,750	-
Payments on long-term debt	(4,253,704)	(55,897)
Payments on note payable - stockholder	(908,900)	-
Payment of financing costs	(7,671)	-
Payment of preferred stock dividends	(422,603)	-
Net cash used by financing activities	(3,508,128)	(55,897)
Net decrease in cash	(5,790,356)	(81,658)
Cash and cash equivalents - beginning of period	6,076,479	379,545
Cash and cash equivalents - end of period	\$ 286,123	\$ 297,887
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 283,175	\$ 262,284
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Assignment of note receivable to major stockholder in satisfaction of related party payable	\$ 170,000	\$ -

See notes to consolidated financial statements.

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Notes to Unaudited Financial Statements

Note 1 – Description of Business and Summary of Significant Accounting Policies

Centennial Specialty Foods Corporation (Centennial) is a holding company that was formed under Delaware law in February 2003 for the purpose of acquiring Stokes Ellis Foods, Inc. and its wholly owned subsidiary Stokes Canning Company (collectively Stokes). Effective October 29, 2003, Centennial acquired Stokes concurrent with its initial public offering. From inception through October 29, 2003, Centennial's activities consisted of planning its initial public offering as well as developing plans for operations subsequent to the public offering. The only sources of capital for Centennial were advances made by Stokes and proceeds from the public offering.

Stokes Ellis Foods, Inc. was a holding company formed under Delaware law in August 1998 for the purpose of acquiring Stokes Canning Company. Stokes Ellis Foods, Inc. was formerly known as Lewis Foods, Inc. until it changed its name in May 2003.

Stokes Canning Company was formed in 1974 under Colorado law. It markets, sells and distributes branded ethnic Southwestern canned sauces and food products in the Mexican food segment of the domestic food industry. The products are sold through superstores, club stores and grocery retailers throughout Colorado, Arizona, California and a small number of major metropolitan markets in adjoining states. Centennial's operations are conducted from its facilities located in Centennial, Colorado.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Centennial Specialty Foods Corporation, Stokes Ellis Foods, Inc. and subsidiary, Stokes Canning Company (collectively the Company). All intercompany accounts and transactions have been eliminated in consolidation.

The purchase of Stokes has been accounted for as a reorganization of companies under common control in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, in a manner similar to reverse acquisition accounting. After completion of the public offering and issuance of preferred stock, the former sole stockholder of Stokes has voting control of approximately 58.2% of the outstanding capital stock of Centennial. For this reason, Stokes Ellis Foods and Centennial are treated as being under common control for financial statement reporting purposes. Accordingly, no goodwill has been recorded as a result of this business combination. In addition, the Consolidated Statements of Operations and Consolidated Statements of Cash Flows have been consolidated for the three and six months ended June 30, 2003 under the provisions of FASB Interpretation No. 46.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation.

Interim Financial Information

The interim consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The consolidated results of operations for the three and six months ended June 30, 2004 and 2003 are not necessarily indicative of the results of the entire year. The consolidated financial statements included herein are presented in accordance with the requirements of Form 10-QSB and consequently do not include all of the disclosures normally made in the Company's annual Form 10-KSB filing. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual Form 10-KSB.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and the accompanying notes and the reported amounts of net sales and expenses. Actual results could differ from those estimates.

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Concentrations of Credit Risk

The Company grants credit in the normal course of business to customers in the United States. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk.

The Company had four customers that accounted for 33%, 17%, 12% and 12% of total sales for the three months ended June 30, 2004 and 24%, 16%, 13% and 12% of total sales for the three months ended June 30, 2003. These customers accounted for 41%, 15%, 9% and 12% of total accounts receivable at June 30, 2004.

The Company had four customers that accounted for 28%, 16%, 13% and 13% of total sales for the six months ended June 30, 2004 and three customers that accounted for 44%, 23%, and 20% of total sales for the six months ended June 30, 2003. These customers accounted for 50%, 11%, 0.1% and 8% of total accounts receivable at December 31, 2003.

Income Taxes

The Company provides for income taxes utilizing the liability method. Under the liability method, current income tax expense or benefit represents income taxes expected to be payable or refundable for the current period. Deferred income taxes are recognized for the tax consequences in future years as a result of differences between the tax and financial reporting bases of assets and liabilities and for the expected future tax benefit to be derived from tax credit and loss carry-forwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts managements believes are more likely than not to be realized in future tax returns. Tax rate changes are reflected in the period such changes are enacted.

Prior to the effective date of the initial public offering, the Company elected to be treated as a subchapter S corporation for income tax purposes. Accordingly, taxable income and losses of the Company prior to the public offering is reported on the income tax returns of the Company' s stockholders. Included in the consolidated statements of operations until the public offering in 2003, are pro forma income tax adjustments computed using the statutory rates in effect, which represent the federal and state tax provisions that would have been required had the Company been taxed as a C-corporation for the entire year. The Company' s effective statutory rate based on pre-tax income on a pro forma basis would have been 37% for the three and six months ended June 30, 2003.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the three months ended June 30, 2004 and 2003 were \$124,601 and \$13,474, respectively, and for the six months ended June 30, 2004 and 2003 were \$175,388 and \$44,465, respectively.

Billback discounts, Promotional allowances, Cash discounts and Slotting fees

The Company offers various discounts and promotional allowances to customers. These amounts are recorded as a decrease to sales in the period incurred. The Company offered billback discounts in expansion markets during the three months ended June 30, 2004. In addition, the Company pays slotting fees to customers to obtain shelf space in retail locations. These one-time fees are non-refundable and are netted against sales in the period incurred. The Company paid significant slotting fees during the three months ended June 30, 2004 to obtain shelf space in expansion markets.

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

Discounts, promotional allowances and slotting fees are summarized below for the three and six months ended June 30, 2004 and 2003.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
Billback discounts	\$ 60,151	\$ 20,871	\$ 87,491	\$ 34,846
Promotional allowances	128,430	185,361	223,335	348,371
Cash discounts	23,436	21,247	42,391	41,101
Total discounts and allowances	212,017	227,479	353,217	424,318
Slotting Fees	427,380	1,663	458,287	5,325
Total adjustments to gross sales	\$ 639,397	\$ 229,142	\$ 811,504	\$ 429,643

Note 2 - Long-Term Debt

In March 2004, the Company obtained a \$5,000,000 senior revolving line of credit. The revolving line of credit matures December 31, 2006 and accrues interest at the bank's base rate plus 1.5%, or 5.5% at June 30, 2004. The borrowing base is limited to the sum of 70% of the appraised value of the production plant, 75% of eligible accounts receivable and 50% of finished goods inventory. Based upon these allowable percentages, the Company had \$2,915,250 in funds available under the revolving line of credit at June 30, 2004. The facility calls for an unused revolver commitment fee of .5% per annum which is paid quarterly in an amount equal to the average daily unused portion of the revolving credit facility times .5% per annum. The facility is secured by a first mortgage on the production building. The facility is also secured by substantially all assets of the Company, including accounts receivable and inventory, and an assignment of the co-packing agreement with its supplier. The facility is also subject to certain restrictive covenants. In order to maintain compliance with one of these covenants, the Company's board of directors did not declare any preferred stock dividends for the three months ended June 30, 2004. See further discussion in Note 6.

In March 2004, the Company used proceeds from this revolver to retire the notes payable to individuals and note payable to stockholder discussed in Note 3. In addition, the Company retired the existing first mortgage note payable to a bank using initial public offering proceeds.

Long-term debt consists of the following at:

	June 30, 2004	December 31, 2003
Revolving line of credit payable to bank.	\$ 2,084,750	\$ -
Mortgage payable to a bank. Paid in full during 2004.	-	3,503,454
Notes payable to two individuals. Paid in full during 2004.	-	335,250
Notes payable to various individuals. Paid in full during 2004.	-	415,000
	2,084,750	4,253,704
Less current portion	-	(750,250)
	\$ 2,084,750	\$ 3,503,454

Note 3 - Note Payable - Stockholder

The Company had previously entered into a note with the majority stockholder of the Company with interest at 12% per annum. The note matured February 2004. The balance at December 31, 2003 was \$908,900. There was \$106,260 of accrued interest outstanding on this note as of December 31, 2003. In March 2004, the Company repaid

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

the stockholder all outstanding principal of \$908,900 and accrued interest of \$129,866 through proceeds from a new senior revolving line of credit described in Note 2.

Note 4 – Commitments and Contingencies

Plant and Equipment Lease

In January 2001, the Company entered into a lease agreement with a lessee, the Company's sole supplier and unrelated party, to lease the Company's production plant and equipment. The lessee is using the production plant and equipment to perform co-packing and warehousing operations for both the Company and other non-related entities. Under the terms of the lease, the Company is to receive monthly payments of approximately \$53,000, which includes property taxes, maintenance and repairs. The lease expires in January 2006, but the lessee has an option to extend up to an additional 5 years. The Company received \$158,581 in lease payments for the three months ended June 30, 2004 and 2003, and \$317,162 in lease payments during the six months ended June 30, 2004 and 2003. The lessee did not make lease payments when due during April and May 2004. Beginning in June 2004, the lessee brought all lease payments current.

The Company and the lessee are also parties to a Lease Override Agreement which requires additional payments based on profitability, as defined in the agreement, of the lessee's co-packing and warehousing operations. As of December 31, 2003, the Company had recorded a note receivable of \$170,000 for such additional payments to be received from the lessee related to the lessee's fiscal year ended June 30, 2003. As stated in the Company's registration statement dated October 29, 2003, this additional payment is due to the Company's majority stockholder, as such income was earned by Stokes prior to the Company's acquisition thereof. Accordingly, a payable to the Company's majority stockholder of \$170,000 was also recorded at December 31, 2003. During the three months ended June 30, 2004, the Company recorded an estimated \$57,497 of additional rent income related to its share of the lessee's operating profits from its co-packing and warehousing operations for the fiscal year ended June 30, 2004.

Contract Amendments

The Company and its lessee amended certain terms of the existing Lease and Lease Override Agreements in March 2004. As part of these amendments, the Company agreed to receive payment due from its lessee for additional rent owed under the Lease Override Agreement for the twelve months ended June 30, 2003 in the form of a \$170,000 note receivable. The note receivable matures November 1, 2004, but may be extended to April 30, 2006. Interest does not begin accruing until certain events occur, after which point the note will accrue interest at 7% per annum payable quarterly. In March 2004, this note was assigned to the Company's majority stockholder in full satisfaction of the related \$170,000 liability to the stockholder.

Other Matters

In June 2004, the lessee asserted an unquantified claim of misrepresentation by the Company's outside legal counsel related to the Contract Amendment described above. The Company's management and its outside legal counsel dispute the claim and believes it is without merit. See Note 7 below for further discussion concerning the lessee.

The lessee also asserted a demand claim in June 2004 for approximately \$400,000 against the Company related to payment of costs associated with a wastewater treatment project at the Denver production plant. The Company believes such project costs are the responsibility of the lessee, as the wastewater treatment is an operating permit issue which is the responsibility of the lessee under the terms of the lease.

Co-Pack and Warehousing Agreement

In conjunction with the plant and equipment lease, the Company entered into a Co-Pack and Warehousing Agreement with the same lessee. Under the terms of the agreement, the lessee will produce, package, and warehouse the products the Company sells and distributes. As part of the agreement, the Company must purchase

CENTENNIAL SPECIALTY FOODS CORPORATION AND SUBSIDIARY

585,053 12-pack (15 oz.) equivalent cases of product during each contract year or pay a shortage fee of \$0.80 for every 12-pack (15 oz.) equivalent case short. The Company recorded shortage fees of \$81,874 and \$16,841 for the contract years ended June 30, 2004 and 2003, respectively. The Company must also pay a \$0.033 per case fee per month if storage of product based upon the pack plan exceeds 30 days due to the Company's shipping schedule. The agreement expires in January 2008, but is automatically renewed for one additional year at the end of each year unless either party elects to terminate the renewal feature.

Dependency on Supplier

As discussed above, one supplier manufactures all of the Company's products. If there were to be an interruption in the delivery of products from the supplier, the Company could suffer a significant disruption to its operations that may have a material effect on its financial condition and results of operations. In the event of an interruption in the delivery of products from the supplier, the Company believes it can have its products produced elsewhere.

Purchase Commitments

The Company had outstanding commitments for inventory as of June 30, 2004 and December 31, 2003 of \$747,900 and \$926,849, respectively.

Operating Lease

In May 2004, the Company entered into a lease agreement for office space for its headquarters in Centennial, Colorado. Under the terms of the lease, the Company must make monthly lease payments for a term of three years.

Note 5 – Related Party Transactions

As of December 31, 2003, the Company recorded a related party payable totaling \$365,394. This payable represents subchapter S corporation earnings prior to October 29, 2003, which are owed to the majority stockholder. Such earnings include additional rent totaling \$170,000 due under the production facility lease and Stokes operating income totaling \$195,394.

The Company made a partial payment of \$175,000 to the majority stockholder associated with this related party payable in January 2004. In addition, the Company assigned the note receivable of \$170,000 due from its supplier to the majority stockholder in March 2004 and paid the remaining \$20,394 in June 2004.

Note 6 - Preferred Stock Dividends

The Company's board of directors did not declare any preferred stock dividends for the three months ended June 30, 2004 in order for the Company to maintain compliance with its consolidated net worth covenant in its revolving line of credit with its bank. As the preferred stock dividends are cumulative dividends, \$250,000 of dividends will be placed in arrearage and will increase the existing \$10,000,000 liquidation preference on the preferred stock to \$10,250,000.

Note 7 - Subsequent Events

In July 2004, the Company and its lessee and sole supplier, an unrelated party, entered into a Memorandum of Understanding ("MOU") related to a sale of the Company's production plant and equipment to the supplier. The purchase price of \$7,000,000 would be financed by the Company. As part of this transaction, all prior claims of both parties will be released and certain amendments will be made to the co-pack agreement between the parties. The closing of the transactions in the MOU are subject to a number of conditions, including satisfactory completion of due diligence and execution of definitive documents. However, in the event the transaction is not consummated, the Company expects to vigorously defend the claims raised by its supplier as well as vigorously pursue its counterclaims. If these claims are not favorably resolved for the Company, resulting events could materially adversely impact the Company's production, financial condition and operating results.

Item 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Centennial and the notes thereto included elsewhere in this report on Form 10-QSB. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-QSB, including information with respect to our plans and strategies for our business, includes forward-looking statements that involve risk and uncertainties. (See the section titled "Forward-Looking Statements" for a more complete discussion).

OVERVIEW

We are a specialty branded food company that is implementing its strategy to expand its distribution and sales of ethnic Southwestern sauces and food products in the growing Mexican food segment of the domestic food industry. Our Stokes and Ellis labels, two Southwestern brands, are each now nearly 100 years old and are well-recognized in our primary market of Colorado. Our best-selling products are our Stokes green chile sauces, offered in five varieties, four of which are ranked in retail sales as the most popular Mexican sauces in Colorado and which are among the 25 best selling Mexican food products retailed in Colorado, according to IRI, an independent market research firm. Our products are currently sold in leading grocery retailers, superstores and club stores such as Kroger, Safeway, Wal-Mart, Sam' s Club, Albertson' s and Costco, through locations in Colorado, Arizona, California and a small number of major metropolitan markets in adjoining states.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the three and six months ended June 30, 2004 and 2003, the percentage of net sales represented by the specified items included in our unaudited consolidated statements of operations. We have included this comparison because we believe it provides a more meaningful basis for period-to-period comparisons. This financial data should not be viewed as a substitute for our historical consolidated results of operations determined in accordance with generally accepted accounting principles and does not purport to be indicative of future results of operations.

	Consolidated			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	92.3	65.4	78.1	63.9
Gross margin	7.7	34.6	21.9	36.1
Selling, general and administrative expenses	77.6	35.1	63.3	33.7
Income (loss) from operations	(69.9)	(0.5)	(41.4)	2.4
Total other income	12.2	2.4	7.8	2.5
Income tax benefit (expense)	21.3	(0.7)	12.4	(1.8)
Net income (loss)	(36.3)%	1.2 %	(21.1)%	3.1 %

Three Months Ended June 30, 2004 Compared to Three Months Ended June 30, 2003*Net Sales*

Our net sales are comprised of gross sales reduced by promotional allowances, billback discounts, cash discounts and slotting fees. The following table sets forth these components to provide a more thorough understanding of net sales.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
Sales - Stokes	\$ 1,230,228	\$ 828,161	\$ 2,129,317	\$ 1,670,358
Sales - Ellis	356,233	605,163	756,734	1,129,068
Sales - Green's Farm (1)	—	13,972	—	44,433
Gross sales	1,586,461	1,447,296	2,886,051	2,843,859
Less: Promotional allowances, billback discounts and cash discounts	212,017	227,479	353,217	424,318
Net sales before slotting fees	1,374,444	1,219,817	2,532,834	2,419,541
Less: Slotting fees	427,380	1,663	458,287	5,325
Net sales	\$ <u>947,064</u>	\$ <u>1,218,154</u>	\$ <u>2,074,547</u>	\$ <u>2,414,216</u>

(1) Discontinued product line in 2003.

Sales - Stokes - Sales of our Stokes green chile sauces increased \$0.4 million or 48.6% for the three months ended June 30, 2004 over the same period in 2003. This increase reflects our expansion efforts into California and Arizona. For the three months ended June 30, 2004, we sold our premium Stokes green chile sauces to Kroger, Safeway and Albertsons affiliates in Arizona, Southern California and Northern California representing an increase of approximately 1,700 stores.

The significant increase in sales is due primarily to initial purchases from grocery customer's in the new markets to stock the product on store shelves. Once full grocery shelf distribution is achieved, future increases in sales volume will be directly related to consumer purchasing of our products.

Sales - Ellis - Sales of our Ellis branded products continued to decrease as a result of our concerted effort to reduce sales of low-profit products. Sales of our Ellis products decreased \$0.2 million or 41.1% for the three months ended June 30, 2004 compared to the same period in 2003. We anticipate sales of our Ellis products will continue to decrease somewhat throughout 2004 as we continue to focus on our core, higher-profit products. The Ellis products will be maintained for certain key customers who purchase significant quantities of our premium Stokes products.

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As we continue to focus on marketing and selling our higher margin sauces and foods, we may further streamline our product lines to reduce the number of lower gross margin, “commodity” products we sell that compete with retailers’ private label products. We anticipate that any new products we introduce will be higher margin, premium products. We believe limiting new product introductions to premium products will allow us to more effectively target our marketing and promotion budget and help us enhance our gross margins.

Promotional allowances, billback discounts and cash discounts - Promotional allowances and discounts decreased 6.8% for the three months ended June 30, 2004 compared to the same period in 2003. This decrease was primarily attributable to sales to new customers which did not include promotional allowances. We expect promotional allowances and billback discounts will increase throughout the remainder of 2004 as sales in new markets increase.

Net sales before slotting fees - We sold 78,502 cases of product in the three months ended June 30, 2004 compared to 87,815 cases in the same period in 2003. Average net sales price before slotting fees for the three months ended June 30, 2004 increased approximately \$3.62 per case over the same period in 2003. This is further indicative of our sales focus on higher margin products, specifically, the premium Stokes green chile sauces. We expect sales to increase throughout the remainder of fiscal 2004 as we continue to implement our strategic plan to grow our market presence and enter new markets with our higher margin products.

Slotting fees - Slotting fees increased significantly during the three months ended June 30, 2004 primarily as a result of our expansion into the California market. We paid slotting fees totaling \$0.4 million to obtain shelf space in retail grocery stores in new markets compared to a nominal amount in the same period in 2003. We did not actively pursue slotting new items in 2003 prior to our public offering due to our focus on developing consumer and brand programs. We are now spending a portion of the proceeds from our initial public offering toward payment of slotting fees to obtain shelf space in grocery stores. We anticipate slotting fees will continue to increase throughout our 2004 and 2005 fiscal years from pre-existing levels as we continue executing our expansion strategy.

Cost of goods sold

Cost of goods sold increased \$0.1 million for the three months ended June 30, 2004 compared to the same period in 2003. As a percentage of net sales, our cost of goods sold increased to 92.3% in the three months ended June 30, 2004 from 65.4% in the same period in 2003. This increase is primarily attributable to \$0.4 million of slotting fees paid during the three months ended June 30, 2004, which are recorded as a reduction of sales. This increase was partially offset by an emphasis on higher profit, key products being sold which directly reduced cost of goods sold as a percentage of net sales. We expect that our cost of goods sold will increase on an absolute basis in future periods as we increase sales through our planned expansion, with costs of goods sold as a percentage of net sales decreasing as sales increase and slotting fees decrease.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$0.3 million, or 66.7%, to \$0.7 million for the three months ended June 30, 2004 from \$0.4 million in the same period in 2003. This increase was partially attributable to advertising and consumer marketing spending of \$0.2 million in the three months ended June 30, 2004 associated with our expansion into new markets. Further, directors and officers insurance, shareholder relations and accounting and legal fees increased \$0.1 as a result of additional costs associated with being a public company. Legal fees also increased due to issues with our tenant and sole supplier. We expect selling, general and administrative expenses will continue to increase throughout fiscal 2004 in absolute amounts as we implement our expanded marketing program.

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules proposed by the SEC, could result in increased administrative costs to us as we respond to their requirements. The new rules could make it more difficult for us to

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obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain coverage we consider to be adequate. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as executive officers. We cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs.

Income (loss) from operations

Income from operations decreased \$0.6 million to a \$0.7 million loss for the three months ended June 30, 2004. This decrease was primarily attributable to slotting fees of \$0.4 million and increased selling, general and administrative expenses. We expect income from operations should increase in future periods to the extent we are successful with our expansion strategy and in controlling the rate of increase in selling, general and administrative expenses.

Other income and (expenses)

Other income consists of rental income, supplier EBITDA sharing income and production shortfall fees, all of which are related to the Building and Equipment Lease and Co-Pack and Warehousing Agreements with Hoopeston Foods Denver Corporation (Hoopeston). Other income remained constant at \$0.15 million for the three months ended June 30, 2004 and 2003. For the three months ended June 30, 2004, we have recorded additional rent income of \$57,497 which represents our estimated share of Hoopeston's EBITDA for its fiscal year ended June 30, 2004. In addition, during the three months ended June 30, 2004, we recorded production shortfall fees of \$81,874 related to Hoopeston's fiscal year ended June 30, 2004.

Other expenses are comprised entirely of interest expense and decreased \$0.1 million for the three months ended June 30, 2004 compared to the same period in 2003. This decrease is a direct result of retiring the mortgage on our production plant using initial public offering proceeds and repaying loans from our majority stockholder and other individual lenders using lower interest rate funds from our revolving line of credit we obtained in March 2004.

Net income (loss) before income taxes

Net income before income taxes decreased \$0.6 million to a \$0.5 million loss before income taxes for the three months ended June 30, 2004. This decrease was primarily attributable to \$0.4 million in slotting fees paid to secure shelf space in expansion markets and increased selling, general and administrative expenses.

Income tax expense

We have included pro forma income tax adjustments computed using the statutory rates in effect for the three months ended June 30, 2003 which represent the federal and state tax provisions that would have been required had the Company been taxed as a C-corporation during that period. The decrease in income tax expense of \$0.2 million is directly attributable to lower income before taxes.

Six Months Ended June 30, 2004 Compared to Six Months Ended June 30, 2003

Net Sales

Sales – Stokes - Sales of our Stokes green chile sauces increased \$0.5 million or 27.5% for the six months ended June 30, 2004 over the same period in 2003. This increase reflects our expansion efforts into California and Arizona. As of June 30, 2004, we have sold our green chile sauces to Kroger, Safeway and

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Albertsons affiliates in Arizona, Southern California and Northern California representing an increase of approximately 1,700 stores over the same period in 2003.

The significant increase in sales is due primarily to initial purchases from grocery customer's in the new markets to stock the product on store shelves. Once full grocery shelf distribution is achieved, future increases in sales volume will be directly related to consumer purchasing of our products.

Sales - Ellis - Sales of our Ellis branded products continued to decrease as a result of our concerted effort to reduce sales of low-profit products. Sales of our Ellis products decreased \$0.4 million or 33.0% for the six months ended June 30, 2004 compared to the same period in 2003. We anticipate sales of our Ellis products will continue to decrease somewhat throughout 2004 as we continue to focus on our core, higher-profit products. The Ellis products will be maintained for certain key customers who purchase significant quantities of our premium Stokes products.

As we continue to focus on marketing and selling our higher margin sauces and foods, we may further streamline our product lines to reduce the number of lower gross margin, "commodity" products we sell that compete with retailers' private label products. We anticipate that any new products we introduce will be higher margin, premium products. We believe limiting new product introductions to premium products will allow us to more effectively target our marketing and promotion budget and help us enhance our gross margins.

Promotional allowances, billback discounts and cash discounts - Promotional allowances and discounts decreased \$0.1 million, or 16.8%, for the six months ended June 30, 2004 compared to the same period in 2003. This decrease was primarily attributable to sales to new customers which did not include promotional allowances. We expect promotional allowances and billback discounts will increase throughout the remainder of 2004 as sales in new markets increase. Further, we are shifting to a performance-based discounting program with customers to help drive sales of our products.

Net sales before slotting fees - We sold 149,054 cases of product in the six months ended June 30, 2004 compared to 163,820 cases in the same period in 2003. Average net sales price before slotting fees for the six months ended June 30, 2004 increased approximately \$2.22 per case over the same period in 2003. This is further indicative of our sales focus on higher margin products, specifically, the premium Stokes green chile sauces. We expect sales to increase throughout the remainder of fiscal 2004 as we continue to implement our strategic plan to grow our market presence and enter new markets with our higher margin products.

Slotting fees - Slotting fees increased significantly during the six months ended June 30, 2004 primarily as a result of our expansion into the California market. We paid slotting fees totaling \$0.5 million to obtain shelf space in retail grocery stores in new markets compared to a nominal amount in the same period in 2003. We did not actively pursue slotting new items in 2003 prior to our public offering due to our focus on developing consumer and brand programs. We are now spending a portion of the proceeds from our initial public offering toward payment of slotting fees to obtain shelf space in grocery stores. We anticipate slotting fees will continue to increase throughout our 2004 and 2005 fiscal years from pre-existing levels as we continue executing our expansion strategy.

Cost of goods sold

Cost of goods sold increased \$0.1 million for the six months ended June 30, 2004 compared to the same period in 2003. As a percentage of net sales, our cost of goods sold increased to 78.1% in the six months ended June 30, 2004 from 63.9% in the same period in 2003. This increase was primarily attributable to \$0.5 million of slotting fees paid during the six months ended June 30, 2004 which are recorded as a reduction of sales. This increase was partially offset by an emphasis on higher profit, key products being sold, which directly reduces cost of goods sold as a percentage of net sales. We expect that our cost of goods sold will increase on an absolute basis in future periods as we increase sales through our planned expansion, with costs of goods sold as a percentage of net sales decreasing as sales increase and slotting fees decrease.

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Selling, general and administrative expenses

Selling, general and administrative expenses increased \$0.5 million, or 61.4%, to \$1.3 million for the six months ended June 30, 2004 from \$0.8 million in the same period in 2003. This increase was partially attributable to advertising and consumer marketing spending of \$0.3 million in the six months ended June 30, 2004 associated with our expansion into new markets. Further, directors and officers insurance, shareholder relations and accounting and legal fees increased \$0.2 as a result of additional costs associated with being a public company. Legal fees also increased due to issues with our tenant and sole supplier. We expect selling, general and administrative expenses will continue to increase throughout fiscal 2004 in absolute amounts as we implement our expanded marketing program.

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules proposed by the SEC, could result in increased administrative costs to us as we respond to their requirements. The new rules could make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain coverage we consider to be adequate. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as executive officers. We cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs.

Income (loss) from operations

Income (loss) from operations decreased \$0.9 million to a \$0.9 million loss for the six months ended June 30, 2004. This decrease was primarily attributable to slotting fees of \$0.5 million and increased selling, general and administrative expenses. We expect income from operations will increase in future periods to the extent we are successful with our expansion strategy and in controlling the rate of increase in selling, general and administrative expenses.

Other income and (expenses)

Other income consists of rental income, EBITDA sharing income and production shortfall fees all of which are related to the Building and Equipment Lease and Co-Pack and Warehousing Agreement with Hoopeston. Other income remained constant at \$0.3 million for the six months ended June 30, 2004 and 2003. For the six months ended June 30, 2004, we have recorded additional rent income of \$57,497 which represents our estimated share of Hoopeston's EBITDA for their fiscal year ended June 30, 2004. In addition, during the six months ended June 30, 2004, we recorded production shortfall fees of \$81,874 related to Hoopeston's fiscal year ended June 30, 2004.

Other expenses are comprised entirely of interest expense and decreased \$0.1 million for the six months ended June 30, 2004 compared to the same period in 2003. This decrease is a direct result of retiring the mortgage on our production plant using initial public offering proceeds and repaying loans from our majority stockholder and other individual lenders using lower interest rate funds from our revolving line of credit we obtained in March 2004.

Net income (loss) before income taxes

Net income before income taxes decreased \$0.8 million to a \$0.7 million loss before income taxes for the six months ended June 30, 2004 compared to the same period in 2003. This decrease was primarily attributable to \$0.5 million in slotting fees paid to secure shelf space in expansion markets and increased selling, general and administrative expenses.

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Income tax expense

We have included pro forma income tax adjustments computed using the statutory rates in effect for the six months ended June 30, 2003 which represent the federal and state tax provisions that would have been required had the Company been taxed as a C corporation during that period. The decrease in income tax expense of \$0.3 million is directly attributable to lower income before taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

The following data summarizes our contractual obligations and commitments as of June 30, 2004:

	Payments due by periods				
	Total	Within 1 Year	Years 2 and 3	Years 4 and 5	After 5 Years
(In thousands)					
Contractual obligations:					
Long-term debt	\$ 2,085	\$ –	\$ 2,085	\$ –	\$ –
Operating leases	115	34	81	–	–
Purchase obligations	748	748	–	–	–
Production obligations	<u>2,275</u>	<u>403</u>	<u>936</u>	<u>936</u>	<u>–</u>
Total contractual cash obligations	<u>\$ 5,223</u>	<u>\$ 1,185</u>	<u>\$ 3,102</u>	<u>\$ 936</u>	<u>\$ –</u>

Long-term debt: Long-term debt at June 30, 2004 consisted of \$2.1 million in drawdowns under our senior revolving line of credit obtained in March 2004 which matures December 31, 2006. We intend to use this line of credit to fund our working capital requirements.

Operating leases: Operating leases at June 30, 2004 consisted of an office space lease for our headquarters in Centennial, Colorado.

Purchase obligations: Purchase obligations above represent costs of inventory items we have requested and authorized Hoopeston to produce for us as of June 30, 2004 which have not been billed to us by Hoopeston. The product has not been billed to us because Hoopeston has either not yet produced the inventory or, if product has been produced, it has not been released from the 10 day production hold.

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Production obligations: Production obligations represent minimum production requirements under our co-pack contract with Hoopeston. We are required to purchase a minimum of 585,053 cases from Hoopeston in any contract year. If we fall below the 585,053 case minimum, then we are required to pay a penalty of \$0.80 for each case by which we fall short of the 585,053 case minimum.

We do not currently anticipate any significant capital expenditure requirements during the next twelve months.

Sources and Uses of Cash

Our principal sources of liquidity as of June 30, 2004 consisted of \$0.3 million in cash and cash equivalents and \$2.9 million available under our senior revolving line of credit. We generate cash primarily through product sales. We require capital to finance inventory and accounts receivable, pay slotting fees to grocery chain retailers, pay operating costs, pay interest on our existing debt obligations and pay dividends on our preferred stock.

Operating: Net cash used by operating activities was \$2.3 million for the six months ended June 30, 2004, consisting primarily of payment of slotting fees, build-up of inventory for our expansion into new markets, build-up of inventory in order to mitigate the risk of an interruption in supply due to uncertainties with our sole supplier, payment of aged accounts payable to Hoopeston in order to avoid finance charges, payment of accrued interest on shareholder and other individual lenders notes and payment of related party payable outstanding at December 31, 2003.

Financing: Net cash used by financing activities was \$3.5 million for the six months ended June 30, 2004 and was comprised of payoff of all outstanding long-term debt using proceeds from the initial public offering and revolving line of credit as well as payment of preferred stock dividends for the fourth quarter of 2003 and first quarter of 2004.

We entered into a senior credit agreement with Heartland Bank in March 2004 for borrowings up to an aggregate amount of \$5.0 million. Under the senior credit agreement, the lender advanced us \$2.0 million through a senior secured revolving credit facility, which was used to retire promissory notes payable to various individuals, including our majority stockholder. At the same time we obtained the senior revolving line of credit, we also retired the existing first mortgage on our production facility, then totaling \$3.5 million, using proceeds of our initial public offering. The senior secured revolving credit facility matures on December 31, 2006.

Borrowings under this facility bear interest, payable monthly, at the bank's base rate plus 1.5%, however, the rate will never be lower than 5.5% per annum. At June 30, 2004, the interest rate was 5.5% per annum. Under the terms of the revolver, we can borrow up to the sum of 70% of the appraised value of the production facility owned by us, 75% of eligible accounts receivable and 50% of finished goods inventory. The facility also calls for an unused revolver commitment fee of 0.5% per annum which is paid quarterly in an amount equal to the average daily unused portion of the revolving credit facility times 0.5% per annum.

We may prepay borrowings under the senior credit agreement in whole or in part, in minimum amounts and subject to other conditions set forth in the amended and restated senior credit agreement. We are required to make mandatory prepayments to the lenders from:

the net cash proceeds from asset sales in particular circumstances specified in the senior credit agreement; and

the net cash proceeds from new debt issuances in particular circumstances specified in the senior credit agreement.

Centennial's obligations under the revolving credit line are secured by a first mortgage on the production plant, a security interest in substantially all of its assets and an assignment of our co-packing agreement with Hoopeston.

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The senior credit agreement includes two financial covenants. Centennial cannot permit, at the end of each fiscal quarter:

its consolidated net worth (stockholders' equity less treasury stock plus accrued preferred stock dividends) to be less than \$7 million;

its ratio of consolidated senior debt service plus dividends paid to consolidated EBITDA for the trailing four quarters to exceed the ratio of 1.5 to 1. Compliance under this covenant does not commence until the quarter ending September 30, 2004 and only then includes the trailing quarters beginning with the quarter ending September 30, 2004. Furthermore, compliance under this covenant only applies to the extent the total outstanding principal balance under the revolving credit facility has exceeded \$3 million.

The senior credit agreement also contains customary covenants, including limitations on Centennial's ability to incur debt, and events of default, including a change of control, as defined in the senior credit agreement. The senior credit agreement also limits Centennial's ability to pay dividends under specified circumstances.

We are in compliance with all covenants currently in effect under this credit agreement; however, our board of directors did not declare any preferred stock dividends for the three months ended June 30, 2004 in order to maintain compliance with the \$7 million consolidated net worth covenant. Preferred stock dividends will be placed in arrearage as they are cumulative dividends; however, our board of directors will not declare and we will not pay any preferred stock dividends until we have adequate consolidated net worth to maintain compliance with the \$7 million consolidated net worth covenant.

Debt Instruments, Guarantees and Related Covenants

Except as otherwise described in this Form 10-QSB, we have no debt instruments, guarantees or related covenants.

Cash Management

We believe that cash on hand, cash availability under our senior revolving line of credit and cash flow from operations will be adequate for us to meet our anticipated working capital requirements for at least 12 months. Although the line of credit adds to our financial flexibility, we do not anticipate that we will need to utilize the full amount available to meet our cash needs over the next 12 months. The interest rate on the revolving line of credit is currently 5.5% which is considerably below the 12% rate we were charged by our majority stockholder and the 10% to 12% rates we were charged by the other individual lenders before we repaid these loans using proceeds from the revolving line of credit in March 2004. These payoffs resulted in interest expense savings of \$0.1 million for the three months ended June 30, 2004.

As part of our expansion strategy, we plan to spend significant amounts on slotting and consumer marketing during fiscal year 2004. It is anticipated that this spending will have a correlation to increased sales and generation of cash.

From time to time, we may evaluate potential acquisitions of complementary companies or brands in the ordinary course of business. We have no current plans, agreements, commitments or understandings, and are not currently engaged in negotiations concerning any such transaction. Any such acquisition would be made using our stock or by incurring or assuming debt as proceeds from the initial public offering are not sufficient for this purpose.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives of our depreciable

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assets and the evaluation of assets for impairment, require that management apply significant judgment in defining the appropriate assumptions integral to financial estimates. Judgments are based on historical experience, terms of existing arrangements, industry trends and information available from outside sources, as appropriate. However, by their nature, judgments are subject to an inherent degree of uncertainty and, therefore, actual results could differ from our estimates. As of and for the three and six months ended June 30, 2004 and 2003, management does not believe there are any highly uncertain matters or other underlying assumptions that would have a material effect on our financial position or results of operations if actual results differ from our estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition

We generate revenues from sales of our products to grocery chains, superstores and club stores, as well as wholesalers that sell in turn to these customers. Sales represent gross revenues less estimated returns and allowances. Revenues from the sale of our products to our customers are recognized at the time of shipment. When a food broker assists in the sale of products to grocery chains, superstores, or club stores, the food broker does not take title to our products and shipment takes place only as directed by the customer. Wholesalers take title to products they purchase and direct us when to make shipment. Most retailers and wholesalers have the right to return products to us that are damaged, beyond their shelf life or are discontinued. Such returns were approximately 1% of net sales for the three and six months ended June 30, 2004 and 2003. Management monitors returns on a regular basis and as we implement our sales initiatives, we may increase our estimates for damaged, expired shelf life or discontinued products subject to return. Although we have legal rights to deny our retailers the right to return products that are salable, as a practical matter we could be forced to accept returns from retailers that insisted on returning products to us.

We have the right to return any spoiled or contaminated products to Hoopeston for credit. These returns have been immaterial in the past.

Food manufacturers, including us, have historically paid promotional allowances and offered “billback” discounts to food service companies and wholesalers. Billback discounts are generally offered for monthly or quarterly purchases of food or beverage products reaching predetermined volumes. These allowances and discounts may be permissible if in writing and so long as the food manufacturer does not engage in discriminatory or unfair pricing in violation of applicable antitrust law. The SEC has announced formal investigations and informal inquiries of accounting practices at several national food service companies and wholesalers that are centered on the payment of, and accounting treatment given to, promotional allowances and billback discounts. We estimate that less than 5% of our sales for the three and six months ended June 30, 2004 were to food service companies. Shipments to wholesalers account for approximately 20% of our sales. We are not currently aware of any regulatory inquiry involving promotional allowances or billback discounts offered by us to our limited base of food service customers or wholesalers and we believe promotional allowances and billback discounts we have paid in the past conformed to applicable law. We have paid promotional allowances, as well as slotting allowances to secure shelf space in grocery stores, and have offered billback discounts to customers in the past. We expect to offer such allowances and discounts in the future to customers that customarily seek such allowances and discounts, in a manner consistent with applicable antitrust and other laws. These promotional allowances, billback discounts and slotting fees are netted against revenues in the period incurred.

In November 2001, the Emerging Issues Task Force, or EITF, of the Financial Accounting Standards Board (FASB) issued EITF 01-09, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products),” codifying certain other previously issued EITF pronouncements. This pronouncement requires that discounts such as off-invoice promotions and coupons, and amounts paid to retailers to advertise a company’s products such as fixed trade promotions, be recorded as a reduction of sales. We are recording our off-invoice promotions and fixed trade promotions amounts as a reduction of sales in accordance with the EITF. EITF 01-09 neither prevents nor allows for capitalization of slotting fees. Slotting fees are paid to obtain shelf space in retail locations and such fees are netted against revenue as they are incurred. Slotting fees that were netted totaled approximately \$0.4 million for the three months ended June 30, 2004 and \$0.5 million for the six months ended June

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30, 2004 and were negligible for the same periods in 2003. We expect we will incur additional slotting fees during the remainder of fiscal 2004 as we implement our planned sales efforts.

The EITF has reached a consensus with respect to Issue No. 00-14, "Accounting for Certain Sales Incentives," including point of sale coupons, rebates and free merchandise. The consensus included a conclusion that the value of such sales incentives that results in a reduction of the price paid by the customer should be netted against sales and not classified as a sales or marketing expense. We have classified current and prior period coupon expense as a reduction of sales and include free merchandise in cost of goods sold as required by this EITF consensus.

Accounts Receivable

We assess the recoverability of trade accounts receivable based on estimated losses resulting from the inability of customers to make required payments. Our estimates are based on the aging of accounts receivable balances and historical write-off experience, net of recoveries. We review trade accounts receivable for recoverability regularly and whenever events or circumstances, such as deterioration in the financial condition of a customer, indicate that additional allowances might be required. We have historically not had to write-off material accounts receivable, although this is subject to change.

Inventories and related allowance for slow-moving, excess, discontinued and shelf life expired inventory

Inventories are stated at the lower of cost, on a first-in, first-out basis, or market value and are reduced by an allowance for slow-moving, excess, discontinued and shelf life expired inventories. Our estimate for such allowance is based on our management's review of inventories on hand compared to estimated future usage and demand for our products. If actual future usage and demand for our products are less favorable than those projected by our management, inventory write-downs may be required. We closely monitor our inventory and related shelf lives and have historically rarely experienced occurrences of obsolete inventory or returns of products that have exceeded their shelf life.

Long-Lived Assets

The Company depreciates long-lived assets principally by the straight-line method over the estimated useful lives of these assets. Estimates of useful lives are based on the nature of the underlying assets as well as the Company's experience with similar assets. Estimates of useful lives can differ from actual useful lives due to the inherent uncertainty in making these estimates, particularly in the Company's significant long-lived assets such as land improvements, buildings and equipment. Factors such as the conditions in which the assets are used, availability of capital to replace assets and frequency of maintenance can influence the useful lives of these assets. The Company incurred depreciation expense of approximately \$0.1 million for the six months ended June 30, 2004 and 2003.

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation of recoverability is required, the estimated total undiscounted future cash flows directly associated with the asset is compared to the asset's carrying amount. If this comparison indicates that there is an impairment, the amount of the impairment is calculated by comparing the carrying value to discounted future cash flows expected to result from the use of the asset and its eventual disposition or comparable market values, depending on the nature of the asset.

Accounting for Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, or SFAS No. 142, "Goodwill and Other Intangible Assets." This pronouncement continues to require recognition of goodwill and other identifiable intangible assets with indeterminate lives as long-term assets, but requires such assets to be tested for

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impairment using a fair value-based approach. Our ownership interest in Stokes Ellis Foods has been reflected at the cost basis of Stokes Ellis Foods which included goodwill, and does not reflect any adjustment to record the fair value of the assets. We are obligated to evaluate the carrying value of goodwill for impairment in future periods in accordance with SFAS No. 142. The assessment of impairment is based on the estimated undiscounted future cash flows from operating activities compared with the carrying value of the assets. If the undiscounted future cash flows are less than the carrying value, a write-down will be recorded, measured by the amount of the difference between the carrying value and the estimated fair value of the asset. We have determined that there was no impairment necessary as of June 30, 2004.

Accruals for estimated liabilities

Accruals for estimated liabilities resulting from the normal course of business will be recorded in the period in which the liability arises. The adequacy of these accruals will be evaluated periodically and revised as necessary based on events and circumstances present at the time, known facts, historical experience and other relevant considerations.

Research and development

Research and development expenses include costs associated with the formulation, development, and testing of our Stokes and Ellis products. Research and development costs are expensed as incurred and included in selling, general and administrative expenses. New product development costs were \$0 in each of the three months ended June 30, 2004 and 2003.

Income taxes

Stokes Ellis Foods and Centennial previously elected for federal and state income tax purposes to be treated as subchapter S corporations under the Internal Revenue Code and comparable state tax laws. The completion of the initial public offering caused the automatic conversion of Centennial from subchapter S corporation to a C corporation. Any subchapter S corporation income tax benefits of Stokes Ellis Foods, Inc. have accrued to the pre-initial public offering stockholders and do not belong to us.

Deferred income taxes are recognized for the income tax effect of temporary differences between financial statement carrying amounts and the income tax bases of assets and liabilities. The Company regularly reviews its deferred income tax assets to determine whether future taxable income will be sufficient to realize the benefits of these assets. A valuation allowance is provided for deferred income tax assets for which it is deemed more likely than not that future taxable income will not be sufficient to realize the related income tax benefits from these assets. The amount of the net deferred income tax asset that is considered realizable could, however, be adjusted if estimates of future taxable income are adjusted.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities—an Interpretation of ARB No. 51.” This interpretation addresses consolidation by business enterprises of entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity’s expected losses and receives a majority of its expected residual returns. The consolidation requirements of this interpretation apply immediately to variable interest entities created after January 31, 2003 and apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain new disclosure requirements apply to all financial statements issued after January 31, 2003. In December 2003, the FASB issued a revised version of FIN 46 “FIN46R”. Among other things, the revision clarifies the

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definition of a variable interest entity, exempts most entities that are businesses from the scope of FIN 46 and delays the effective date of the revised standard to no later than the end of the first reporting period ending after December 15, 2003 for special purpose entities and March 15, 2004 for all other types of entities. We do not expect the adoption of this interpretation to have a material impact on our financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. Adoption of SFAS No. 149 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of these instruments were previously classified as temporary equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

MARKET RISK

Our interest income is sensitive to changes in the general level of U.S. interest rates. Our cash balances are maintained in demand deposit accounts and short-term instruments. Due to the nature of these instruments, we have concluded that we have no material market risk exposure due to fluctuating interest rates. Our senior revolving credit facility provides for variable rate interest. If interest rates increase, our operating results could be adversely affected.

We may also encounter market risks arising from fluctuations in commodity prices and fuel costs. We do not currently utilize hedging, swap, derivatives or other instruments to mitigate these market risks. Changes in commodity prices have the greatest potential to materially impact our business. Although Hoopeston seeks to buy commodities and ingredients from a number of domestic suppliers, adverse weather or poor harvests in one region of the country often have material impacts on commodities prices elsewhere. As a result, we expect that we will continue to encounter material market risks from changes in commodity and ingredient prices. We may seek to manage this risk in the future by entering into futures contracts but believe that our sales volume must increase significantly before we will be able to use futures contracts effectively, if at all. In addition, some types of commodities may be available from limited sources or collectively account for a small portion of our product ingredients, meaning that we cannot cost-effectively mitigate the risk of price changes for these ingredients.

Because delivery costs are a significant expense to us, fluctuations in fuel prices may materially impact our business. Diesel fuel costs have recently risen to historic highs, and supply and demand imbalances appear to exist that may support continued high diesel fuel costs. If diesel fuel costs remain at current high levels or continue to rise, common carriers used by us will likely increase freight rates or impose fuel surcharges, either of which would increase our delivery costs, perhaps substantially. As a practical matter, it may be difficult or impossible for us to recover these costs through price increases or surcharges passed along to our customers.

Increases in prices of raw materials and energy, including commodities such as steel and energy sources such as natural gas, are expected to impact costs of raw materials for our industry. We were recently notified that Hoopeston's can supplier has implemented a 6% price increase for cans that it ships to Hoopeston, which Hoopeston expects to pass on to us. Additionally, as our co-pack agreement with Hoopeston is a "cost plus" contract, increases in natural gas prices will impact the production costs that we must pay to Hoopeston. We anticipate that our production and manufacturing costs, as well as those paid by other companies in our industry, will be increasing through 2004 due to these factors. To the extent produce growers are also able to pass on increases in cost of growing, harvesting and delivering produce used in our products, our raw material costs and the raw material costs paid by our competitors may also increase. If we cannot raise product prices to our customers in amounts sufficient

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to recover these increased costs, our margins and results of operations may be materially adversely impacted. We cannot assure that we will be able to raise our prices in amounts sufficient to offset, wholly or partially, increased costs we may incur.

We do not have transactions, arrangements or relationships with “special purpose” entities and do not have any off-balance sheet debt other than the operating lease for office space at our Centennial, Colorado headquarters. We have not guaranteed any financial obligations of third parties.

Seasonality and Inflation

Our operations exhibit some seasonality as sales generally increase in promotional periods and may decrease slightly in post-promotional periods. We do not believe that inflation has had a material impact on our financial position or results of operations, although it may do so in the future due to certain factors discussed above. Our quarterly results of operations may fluctuate during a fiscal year or from year to year as a result of any of the factors described under “Forward-Looking Statements.”

OTHER MATTERS

Lessee and Non-payment of Rent

As previously disclosed, our lessee and sole supplier, an unrelated party, was late in making lease payments when due during April and May 2004. Beginning in June 2004, the lessee brought all lease payments current.

In June 2004, our lessee asserted an unquantified claim of misrepresentation by our outside legal counsel related to the Contract Amendment from March 2004. We believe the claim is without merit and will be favorably resolved to us.

The lessee also asserted a demand claim in June 2004 for approximately \$400,000 against us related to payment of costs associated with a wastewater treatment project at the Denver production plant. We believe such project costs are the lessee’s responsibility, as the wastewater treatment is an operating permit issue which is the responsibility of the lessee.

In July 2004, we entered into a Memorandum of Understanding (“MOU”) with our lessee related to the sale of our production plant and equipment to the lessee. We would finance the entire purchase price of \$7,000,000. As part of this transaction, all prior claims between us and the lessee will be released and certain amendments will be made to the co-pack agreement between the parties. The closing of the transactions in the MOU are subject to a number of conditions, including satisfactory completion of due diligence and execution of definitive documents. However, in the event the transaction is not consummated, we expect to vigorously defend the claims raised by our lessee and pursue our counterclaims against the lessee. If we do not favorably resolve these claims, resulting events could materially adversely impact our production, financial condition and operating results.

We do not control our lessee or the production decisions it makes at our plant. If our lessee becomes unable to timely produce our sauces and foods for any reason, or if our lessee determines to cease operations for any reason, we could experience significant disruptions in our operations or in our ability to supply our customers with products. We have undertaken certain measures in order to mitigate part of the impact from the risk of an interruption in supply in the event our sole supplier does not timely produce our products. These measures include, among other things, identifying an alternative supplier for our products, building-up inventory levels and storing inventory in independent third party warehouses. We believe these measures will help with supply of our products in the event of an interruption in supply from our existing sole supplier. We could also be materially adversely impacted by our lessee’s inability to pay future monthly rents or additional payments based on profitability, as defined in the lease override agreement. However, completion of the transactions set forth in the MOU should help mitigate certain of these risks. Nevertheless, any sustained interruption in production of our products for any reason, or in our lessee’s ability to produce our products, could materially injure our business.

Dependence on Material Customers and Suppliers

Our business depends on a limited number of material customers and suppliers. The loss of a material customer would have a material adverse impact on our operating results. Our customers can generally stop purchasing products from us at any time and on minimal or no notice. Likewise, Hoopeston purchases ingredients from suppliers using purchase orders and neither we nor Hoopeston have any long-term arrangements with suppliers. Our production agreement with Hoopeston extends for a period of five years, with automatic one year renewals at the end of each year unless either party elects to terminate the renewal feature. Hoopeston may terminate the production agreement on written notice, as we are also permitted to do, in the event of a breach continuing after written notice that is not cured or waived.

In the three months ended June 30, 2004, we derived approximately 69% of our sales from five customers, Kroger, Safeway, Wal-Mart, Sam's Club and Albertson's which is up from 67% in fiscal 2003. We expect that each of these customers will account for in excess of 10% of our sales during the year ending December 31, 2004. The loss of any of these customers would have a significant negative impact on our business and results of operations.

Hoopeston depends on a limited number of significant suppliers. These suppliers are generally growers or their representatives who supply produce and commodities to make our products. We believe that alternate sources of supply are available if a relationship with one of these suppliers was terminated. Supply disruptions could adversely impact our results of operations if alternate sources of supply are unavailable on short notice, if at all. Hoopeston purchases cans and labels for our products from two suppliers and we believe that alternate sources of supply for these materials can be located on relatively short notice.

Hoopeston currently relies on two suppliers for purchases of green chiles used in our products. Although Hoopeston has not experienced any difficulty in obtaining green chiles from these suppliers, a sustained interruption in the supply of green chiles for any reason would seriously harm our business. Neither we nor Hoopeston has long-term contracts with these suppliers, so the price of green chiles sold to Hoopeston for use in our products may increase at any time or the quantity of green chiles supplied could be curtailed at any time. Difficulties in obtaining green chiles or the imposition of import quotas on agricultural products generally or green chiles in particular could also materially harm our business or increase the production costs we pay to Hoopeston.

Related Party Transactions

During 2003, we received advances from our majority stockholder that totaled \$0.035 million. We used proceeds from these advances to fund our working capital requirements since we had no senior revolving credit facility at that time. In March 2004, we repaid the advances from our majority stockholder using proceeds from the senior revolving line of credit. These advances were not repaid using proceeds of the initial public offering.

FORWARD-LOOKING STATEMENTS

Certain statements included in "Management's Discussion and Analysis of Financial Condition and Results of Operations," including "Critical Accounting Policies and Estimates," "Results of Operations," "Recent Accounting Pronouncements," and "Liquidity and Capital Resources," and elsewhere in this report are "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include our expectations with respect to industry growth trends, effect of changes in the retail grocery industry on our sales, use of estimates for revenue recognition, other estimates used for accounting purposes, corporate cost structure, our entry into new markets, our ability to obtain new grocery, superstore and club store customers and expanding our sales to existing and new customers, our ability to secure and keep shelf space allocated to our products, the impact of operational and financial difficulties experienced with Hoopeston and related increases in our costs of production, effect of adoption of recent accounting pronouncements, overall operating results and the availability of capital.

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Forward-looking statements are not statements of historical fact. Forward-looking statements involve risks, uncertainties and other factors that may cause our or our industry' s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You can identify forward-looking statements by terminology such as “may,” “should,” “project,” “would,” “could,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “continue” or the negative of these terms or other comparable terms.

Although we believe that the statements we have made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, we can give no assurance that its expectations will be achieved. In addition, these statements are subject to factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These factors include, but are not limited to, factors identified under the caption “Factors That May Affect Future Operating Results, Financial Condition or Business” in our Form 10-KSB on file with the SEC, and the factors described in this Form 10-QSB. All forward-looking statements attributable to us are expressly qualified by the cautionary statements set forth in such factors. We caution you not to place undue reliance on our forward-looking statements. Except as required by law, we do not intend to update or revise any of our forward-looking statements to conform these statements to actual results.

Item 3. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission' s rules and forms, and that information is accumulated and communicated to our management, including our principal executive officer and principal financial officer (who we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officers, the effectiveness of our disclosure controls and procedures as of June 30, 2004, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of June 30, 2004, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during our quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In connection with management' s review of the three months ended June 30, 2004, there were no “Reportable Events” within the meaning of Item 304(a)(1)(v) of Regulation S-K.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None

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Item 2. Changes in Securities

Use of Proceeds

We registered and sold 1,550,000 shares of our common stock to the public at an aggregate offering price of \$7.75 million, or \$5.00 per share, pursuant to a registration statement that was declared effective on October 29, 2003. The offering was completed and has terminated. The lead underwriter of the offering was J.P. Turner, L.L.C.

Net proceeds to us were \$5.79 million after deduction of underwriters' commissions and other issuance costs. Through June 30, 2004, we applied our net proceeds as follows:

	Intended use of proceeds	Actual use of proceeds through June 30, 2004
	(in millions)	(in millions)
Retirement of plant mortgage	\$ 3.60	\$ 3.60
Payment of slotting fees	.81	.47
Marketing, advertising and promotion costs	.95	.67
Working capital	.43	.43
	<u>\$ 5.79</u>	<u>\$ 5.17</u>

Item 3. Defaults Upon Senior Securities

We have \$250,000 of preferred stock dividends in arrears as our board of directors did not declare any preferred stock dividends for the three months ended June 30, 2004 in order to maintain compliance with our \$7 million consolidated net worth covenant with Heartland Bank. The preferred stock dividends will be placed in arrearage as they are cumulative dividends, however, our board of directors will not declare and we will not pay any preferred stock dividends until we have adequate consolidated net worth to maintain our consolidated net worth covenant.

Item 4. Submission of Matters to a Vote of the Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
2.1.4*	Form of Indemnification Agreement, effective at the closing of the purchase of Stokes Ellis Foods, by and among James E. Lewis, Janis M. Lewis and Centennial Specialty Foods Corporation.
2.1.6*	Merger Agreement, to be effective at the closing of the acquisition of Stokes Ellis Foods, by and between Stokes Ellis Foods, James E. Lewis, Janis M. Lewis and Centennial Specialty Foods Corporation.
3.1*	Certificate of Incorporation of Centennial Specialty Foods Corporation.
3.2*	Bylaws of Centennial Specialty Foods Corporation.
3.3*	Amended and Restated Certificate of Incorporation of Centennial Specialty Foods Corporation, as filed with the Delaware Secretary of State on October 22, 2003.
3.4*	Certificate of Merger of Stokes Ellis Foods and Centennial Specialty Foods Corporation, as survivor, as filed with the Delaware Secretary of State on November 3, 2003.

- 4.1* Specimen certificate for shares of Common Stock, \$0.0001 par value per share, of Centennial Specialty Foods Corporation.
- 4.2* Form of Warrant for the purchase of Common Stock issued to J.P. Turner & Company, L.L.C. on completion of the initial public offering.

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<u>Exhibit No.</u>	<u>Description</u>
4.3*	Form of Lock-Up Agreement between J.P. Turner & Company, L.L.C. and the officers, directors and 5% or more stockholders of Centennial Specialty Foods Corporation.
10.1*	Lease Agreement, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.1.1*	Schedules to Lease Agreement.
10.2*	Equipment Lease, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.2.1*	Schedules to Equipment Lease.
10.3*	Exclusive License Agreement, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.4*@	Co-Pack and Warehousing Agreement, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.4.1*@	Schedules and Exhibits to Co-Pack and Warehousing Agreement.
10.5*@	Lease Override Agreement, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.6*	EBITDA Committee Agreement, dated January 26, 2001, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.6.1*@	Schedules to EBITDA Committee Agreement
10.7*	Amendment Agreement, dated March 15, 2004, by and between Hoopeston Foods Denver Corp. and Stokes Canning Company.
10.7.1*	Hoopeston Foods Denver Corp. subordinated note.
10.7.2*	Subordination, Attornment and Non-Disturbance Agreement between Hoopeston Foods Denver Corp., Stokes Canning Company and Heartland Bank.
10.9*+	Employment Agreement, effective March 1, 2003, by and between Centennial Specialty Foods Corporation and Jeffrey R. Nieder.
10.10*+	Employment Agreement, effective March 1, 2003, by and between Centennial Specialty Foods Corporation and Robert A. Beckwith.
10.11*	Form of Escrow Agreement among Centennial Specialty Foods Corporation, the officers and directors of Centennial Specialty Foods Corporation, J.P. Turner & Company, L.L.C. and Corporate Stock Transfer, Inc.
10.12*	Lease Agreement, dated February 1, 2003, by and between HQ Global Workplaces and Centennial Specialty Foods Corporation.
10.13*	Charter of our Audit Committee.
10.14*	Charter of our Nominating Committee.
10.15*	Charter of our Compensation Committee.
10.16*	Charter of our Disclosure Committee.

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10.17*	Form of Director and Officer Indemnification Agreement.
10.18*+	2003 Non-Employee Directors' Stock Option Plan.
10.19*	Professional Services Agreement, dated August 28, 2003, by and between Centennial Specialty Foods Corporation and Sterling Rice Group, Inc.
10.20.3#	Loan and Security Agreement, dated March 15,2004, by and between Heartland Bank, Centennial Specialty Foods Corporation and Stokes Canning Company
10.21*	Separation Agreement, dated effective September 18, 2003, by and between J. Michael Miller and Centennial Specialty Foods Corporation.
10.22*	Form of Promotional Share Escrow Agreement by and among the officers and certain stockholders of Centennial Specialty Foods Corporation and Centennial Specialty Foods Corporation.
10.23#+	2004 Stock Incentive Plan
11.1	Statement Re: Computation of per Share Earnings (see financial statements)
31.1#	Rule 13a-14(a) Certification of Chief Executive Officer of Centennial Specialty Foods Corporation.
31.2#	Rule 13a-14(a) Certification of Chief Financial Officer of Centennial Specialty Foods Corporation.
32.1#	Section 1350 Certifications
32.2#	Section 1350 Certifications
99.1*	Code of Ethics of Centennial Specialty Foods Corporation.
#	Filed herewith
*	Previously filed.
+	Identifies each management contract or compensatory plan or arrangement
@	Certain confidential portions of this Exhibit were omitted by means of redacting a portion of the text (the "Omitted Text"). The full text of this Exhibit will be filed separately with the Secretary of the Commission with the Omitted Text pursuant to the Registrant' s Application Requesting Confidential Treatment under Rule 406 under the Securities Act.

(b) Reports on Form 8-K

None

SIGNATURES

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

CENTENNIAL SPECIALTY FOODS CORPORATION

August 16, 2004

By: /s/ JEFFREY R. NIEDER

Jeffrey R. Nieder,
Chief Executive Officer

CENTENNIAL SPECIALTY FOODS CORPORATION

August 16, 2004

By: /s/ DOUGLAS L. EVANS

Douglas L. Evans,
Chief Financial Officer

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LOAN AND SECURITY AGREEMENT

Dated as of March 15, 2004

Between

CENTENNIAL SPECIALTY FOODS CORPORATION
STOKES CANNING COMPANY

(collectively, the Borrower)

and

HEARTLAND BANK

(the Lender)

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SCHEDULE 5.1(x) - LIST OF LOCATIONS OF INVENTORY

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SCHEDULE 8.5 - LIST OF WORKING CAPITAL LOANS

SCHEDULE 8.9 - LIST OF OPERATING ACCOUNTS

LOAN AND SECURITY AGREEMENT

Dated as of March 15, 2004

CENTENNIAL SPECIALTY FOODS CORPORATION, a Delaware corporation, STOKES CANNING COMPANY, a Colorado corporation (each, a "Borrower" and collectively the "Borrower"), and HEARTLAND BANK, a federal savings bank (the "Lender"), agree as follows:

ARTICLE 1 - DEFINITIONS

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Section 1.1 Definitions. For the purposes of this Agreement:

"Account Debtor" means a Person who is obligated on a Receivable.

"Accounts" means all "accounts" as defined in the UCC.

"Affiliate" means, with respect to a Person, (a) any officer, director,

employee or managing agent of such Person, (b) any spouse, parents, brothers, sisters, children and grandchildren of such Person, (c) any association, partnership, trust, entity or enterprise in which such Person is a director, officer or general partner, (d) any other Person that, (i) directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such given Person, (ii) directly or indirectly beneficially owns or holds 10% or more of any class of voting stock or partnership or other interest of such Person or any Subsidiary of such Person, or (iii) 10% or more of the voting stock or partnership or other interest of which is directly or indirectly beneficially owned or held by such Person or a Subsidiary of such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or partnership or other interests, by contract or otherwise.

"Agreement" means this Agreement, including the Exhibits and Schedules hereto, and all amendments, modifications and supplements hereto and thereto and restatements hereof and thereof.

"Agreement Date" means the date as of which this Agreement is dated.

"Appraised Value" means the fair market value as determined by a complete, self-contained narrative appraisal report addressed to Borrower and to Lender, prepared by an appraiser satisfactory to Lender, pursuant to Section 4.1(a)(16) hereof.

"Availability" means, as of the date of determination, the amount of Revolving Credit Loans available to be borrowed by Borrower hereunder in accordance with Section 2 less the sum of the outstanding principal balance of all Revolving Credit Loans hereunder as of such date.

"Base Rate" or "BR" means, for any day, a rate per annum equal to the base rate of Lender in effect on such day. Borrower acknowledges that the base rate of Lender is not necessarily the best corporate borrowing rate available to corporate borrowers of Lender.

"Benefit Plan" means an employee benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan) in respect of which a Person or any Related Company is, or within the immediately preceding 6 years was, an "employer" as defined in Section 3(5) of ERISA, including such plans as may be established after the Agreement Date.

"Borrower" has the meaning set forth in the first paragraph above.

"Borrowing Base" means at any time an amount equal to the sum of: (a) 75% of the face value of Eligible Receivables due and owing at such time, plus (b) 50% of the lesser of cost (computed on a first-in-first-out basis) and fair market value of Eligible Inventory at such time, plus (c) the lesser of (i) \$4,000,000 and (ii) 70% of the most current Appraised Value of the Real Estate. Lender may reduce Availability under the Revolving Credit Facility by such reserves as the Lender may determine from time to time in the exercise of its

reasonable credit judgment including, without limitation, reserves for inventory shrinkage, dilution, warehousemen's or bailees' charges, and the amount of estimated maximum exposure, as determined by Lender from time to time, under any interest rate contracts which Borrower enters into (including interest rate

swaps, caps, floors, options thereon, combinations thereof, or similar contracts).

"Borrowing Base Certificate" means a certificate in the form of Exhibit D attached hereto.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in St. Louis are authorized to close.

"Capital Expenditures" means, with respect to any Person, all expenditures made and liabilities incurred for the acquisition of assets which are not, in accordance with GAAP, treated as expense items for such Person in the year made or incurred or as a prepaid expense applicable to a future year or years.

"Capitalized Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"Capitalized Lease Obligation" means Indebtedness represented by obligations under a Capitalized Lease, and the amount of such Indebtedness shall be the capitalized amount of such obligations determined in accordance with GAAP.

"Chattel Paper" means all "chattel paper" as defined in the UCC.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means and includes all of the Borrower's right, title and interest in and to the following assets, wherever located and whether now or hereafter existing or now owned or hereafter acquired or arising:

- (a) all Accounts,
- (b) all Chattel Paper,
- (c) all Commercial Tort Claims,
- (d) all Contract Rights,
- (e) all Deposit Accounts,
- (f) all Documents,

- (g) all General Intangibles,
- (h) all Goods,
- (i) all Instruments,
- (j) all Intellectual Property,
- (k) all Inventory,
- (l) all Investment Related Property,
- (m) all Letters of Credit Rights,
- (n) all Money,
- (o) all Receivables and Receivables Records,
- (p) the Real Property,

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- (q) to the extent not otherwise included above, all Collateral Records, Collateral Support and Supporting Obligations relating to any of the foregoing, and any and all products and cash and non-cash proceeds of the foregoing (including, but not limited to, any claims to any items referred to in this definition and any claims against third parties for loss of, damage to or destruction of any or all of the Collateral or for proceeds payable under or unearned premiums with respect to policies of insurance) in whatever form, including, but not limited to, cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements and other documents.
- (r) For avoidance of doubt it is expressly understood and agreed that, to the extent the UCC is revised subsequent to the date hereof such that the definition of any of the foregoing terms included in the description of Collateral is changed, the parties hereto desire that any property which is included in such changed definitions which would not otherwise be included in the foregoing grant on the date hereof be included in such grant immediately upon the effective date of such revision. Notwithstanding the immediately preceding sentence, the foregoing grant is intended to apply immediately on the date hereof to all Collateral to the fullest extent permitted by applicable law regardless of whether any particular items of Collateral is currently subject to the UCC.

"Collateral Records" means books, records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals, computer software, computer printouts, tapes, disks and related data processing

software and similar items that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon.

"Collateral Support" means all property (real or personal) assigned, hypothecated or otherwise securing any Collateral and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

"Commercial Tort Claims" means all "commercial tort claims" as defined in Revised Article 9, as listed on Schedule 5.1(z) from time to time.

"Consolidated Net Worth" shall mean, as of the date of any determination thereof, the sum of (a) the capital stock accounts (net of treasury stock, at cost) of Borrower and its Subsidiaries as of such date plus (or minus in the case of a deficit), and (b) the surplus and retained earnings of Borrower and its Subsidiaries as of such date, all determined on a consolidated basis and in accordance with GAAP.

"Contract Rights" means and includes, as to any Person, all of such Person's then owned or existing and future acquired or arising rights under contracts not yet earned by performance and not evidenced by an instrument or chattel paper, to the extent that the same may lawfully be assigned.

"Debt Service Coverage Ratio" shall mean as of the date of any determination thereof, the ratio of (a) consolidated EBITDA of Borrower to (b) Interest Expenses plus scheduled payments of principal amounts of Funded Indebtedness plus any cash dividends paid.

"Default" means any of the events specified in Section 11.1 that, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Default Rate" means the annual rate equal to four percent (4%) in excess of the Effective Interest Rate.

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"Deposit Accounts" means any demand, time, savings, passbook or like account maintained with a bank, savings and loan association, credit union or like organization, including the Disbursement Account, other than an account evidenced by a certificate of deposit that is an instrument under the UCC.

"Disbursement Account" means the account maintained by and in the name of Borrower with the Lender for the purpose of disbursing Revolving Credit Loan proceeds and amounts credited thereto pursuant to Section 2.

"Documents" means all "documents" as defined in the UCC.

"Dollar" and "\$" means freely transferable United States dollars.

"EBITDA" means for any period, the sum of (i) Net Income for such period, plus (ii) an amount which, in the determination of Net Income for such period, has been deducted for (A) Interest Expense, (B) total federal, state, local and foreign income, value added and similar taxes and (C) depreciation and amortization expense and any impairment charges, plus (D) any extraordinary losses during such period, plus (E) any losses from the sale or other disposition of assets other than in the ordinary course of business during such period, minus (iii) an amount which, in the determination of Net Income for such period, has been included for (A) any extraordinary gains during such period and (B) any gains from the sale or other dispositions of assets other than in the ordinary course of business during such period, in each case, determined on a consolidated basis in accordance with GAAP.

"Effective Date" means the later of (a) the Agreement date, and (b) the first date on which all of the conditions set forth in Section 4.1 shall have been fulfilled or waived by Lender.

"Effective Interest Rate" means the rate of interest per annum on the Loans in effect from time to time pursuant to the provisions of Section 3.1(a), (b) and (c).

"Eligible Inventory" means items of Inventory of the Borrower held for sale in the ordinary course of the business of the Borrower (but not including Inventory which is raw materials, work-in-process or display items, samples, packaging or shipping materials or maintenance supplies) which are insured against loss and unless otherwise approved in writing by the Lender, meets all of the following requirements: (a) such Inventory is owned by the Borrower, is subject to the Security Interest, which is perfected as to such Inventory, and is subject to no other Lien whatsoever other than a Permitted Lien; (b) such Inventory consists of finished goods and does not consist of supplies or consigned goods or raw materials or work-in-process; (c) such Inventory is in good condition and meets all standards applicable to such goods, their use or sale imposed by any governmental agency, or department or division thereof, having regulatory authority over such matters; (d) such Inventory is currently either usable or saleable, at prices approximating at least the cost thereof, in the normal course of the Borrower's business; (e) such Inventory is not obsolete, slow moving (being defined as older than 18 months from the date of production), or discontinued or returned or repossessed or used goods taken in trade; (f) such Inventory does not represent private-labeled inventory; (g) such Inventory is located at the Real Property or a third party warehouse facility listed under Section 4.1(a)(15); and (h) such Inventory is in the possession and control of the Borrower and not any third party and, if located in a warehouse or other facility leased by the Borrower or under the operating control of a third party, the lessor or such third party has delivered to the Lender a waiver and consent in form and substance satisfactory to the Lender.

"Eligible Receivable" means the unpaid portion of a Receivable payable in Dollars to Borrower net of any returns, discounts, claims, credits, charges, or other allowances, offsets, deductions, counterclaims, disputes or other defenses and reduced by the aggregate amount of all reserves, limits and deductions

provided for in this definition and elsewhere in this Agreement which unless otherwise approved in writing by the Lender, meets all of the following requirements: (a) such Receivable is owned by Borrower and represents a complete bona fide transaction which requires no further act under any circumstances on the part of Borrower to make such Receivable payable by the Account Debtor; (b) such Receivable is not unpaid more than 60 days after its due date or 90 days after the date of the original invoice; (c) such Receivable does not arise out of any transaction with any Subsidiary, Affiliate or employee of Borrower, or out of any transaction with any creditor, lessor or supplier of Borrower, unless such creditor, lessor or supplier expressly waives in writing any right of offset against such Receivable; (d) such Receivable is not owing by an Account Debtor more than 20% of whose then-existing accounts owing to Borrower do not meet the requirements set forth in Clause (b) above; (e) if the Account Debtor with respect thereto is located outside of the United States of America, the goods which gave rise to such Receivable were shipped after receipt by Borrower from the Account Debtor of an irrevocable letter of credit that has been confirmed by a financial institution acceptable to the Lender and is in form and substance acceptable to the Lender, payable in the full face amount of the face value of the Receivable in Dollars at a place of payment located within the United States and has been duly delivered to the Lender; (f) such Receivable is not subject to the Assignment of Claims Act of 1940, as amended from time to time, or any applicable law now or hereafter existing similar in effect thereto, as determined in the sole discretion of the Lender, or to any provision prohibiting its assignment or requiring notice of or consent to such assignment; (g) Borrower is not in breach of any express or implied representation or warranty with respect to the goods the sale of which gave rise to such Receivable; (h) the Account Debtor with respect to such Receivable is not insolvent or the subject of any bankruptcy or insolvency proceedings of any kind or of any other proceeding or action, threatened or pending, which might, in the Lender's sole judgment, have a Materially Adverse Effect on such Account Debtor; (i) to Borrower's knowledge, the goods the sale of which gave rise to such Receivable were shipped or delivered to the Account Debtor on an absolute sale basis and not on a bill and hold sale basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis or on the basis of any other similar understanding, and such goods have not been returned or rejected; (j) such Receivable is not owing by an Account Debtor who or along with a group of affiliated Account Debtors has then-existing accounts owing to the Borrower which exceed in face amount 50% of the Borrower's total Eligible Receivables; (k) such Receivable is evidenced by an invoice or other documentation in form acceptable to the Lender containing only terms normally offered by the Borrower, and dated no later than the date of shipment; (l) such Receivable is a valid, legally enforceable obligation of the Account Debtor with respect thereto and is not subject to any present, or contingent (and no facts exist which are the basis for any future), offset, deduction or counterclaim, dispute or other defense on the part of such Account Debtor; (m) such Receivable is not evidenced by chattel paper or an instrument of any kind; (n) if such Receivable arises from the performance of services, such services shall have been performed in

full; (o) such Receivable is not generated from COD accounts, cash or miscellaneous accounts, accounts on credit hold, and for finance charges or service charges, (p) such Receivable does not consist of debit memos or chargebacks, and (q) such Receivable is subject to the Security Interest, which is perfected as to such Receivable, and is subject to no other Lien whatsoever other than a Permitted Lien and the goods giving rise to such Receivable were not, at the time of the sale thereof, subject to any Lien other than a Permitted Lien.

"Environmental Laws " means all federal, state, local and foreign laws now or hereafter in effect relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water or land) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage,

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disposal, removal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, and any and all regulations, notices or demand letters issued, entered, promulgated or approved thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as in effect from time to time, and any successor statute.

"Event of Default" means any of the events specified in Section 11.1.

"Financing Statements" means the Uniform Commercial Code financing statements executed and delivered by Borrower to the Lender, naming the Lender as secured party and Borrower as debtor, in connection with this Agreement.

"Funded Indebtedness" means Indebtedness for Money Borrowed.

"GAAP" means generally accepted accounting principles in the United States consistently applied and maintained throughout the period indicated and consistent with the prior financial practice of the Person referred to.

"General Intangibles" means, all "general intangibles" as defined in the UCC, including, without limitation, all corporate and other business records, inventions, designs, blueprints, plans, specifications, trade secrets, goodwill, computer software, customer lists, all interest rate or currency protection or hedging arrangements, all tax refunds and tax refund claims, all licenses, franchises, permits, registrations, concessions and authorizations, all Intellectual Property and all Payment Intangibles in each case regardless of whether characterized as general intangibles under the UCC).

"Goods" means all "goods" defined in the UCC and includes, without limitation, all Inventory and any computer program embedded in the goods and any

supporting information provided in connection with such program if (x) the program is associated with the goods in such a manner that is customarily considered part of the goods or (y) by becoming the owner of the goods, a Person acquires a right to use the program in connection with the goods (in each case, regardless of whether characterized as goods under the UCC).

"Governmental Approvals" means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all governmental bodies, whether federal, state, local, foreign national or provincial, and all agencies thereof.

"Governmental Authority" means any 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.

"Guarantees" means the unconditional and unlimited guarantees of payment of the Secured Obligations executed by each Subsidiary of Borrower.

"Indebtedness" of any Person means, without duplication (a) all obligations for money borrowed or for the deferred purchase price of property or services or in respect of reimbursement obligations under letters of credit, (b) all obligations represented by bonds, debentures, notes and accepted drafts that represent extensions of credit, (c) Capitalized Lease Obligations, (d) all obligations (including, during the noncancellable term of any lease in the nature of a title retention agreement, all future payment obligations under such lease discounted to their present value in accordance with GAAP) secured by any Lien to which any property or asset owned or held by such Person is subject, whether or not the obligation secured thereby shall have been assumed by such Person, (e) all obligations of other Persons which such Person has Guaranteed, including, but not limited to, all obligations of such Person consisting of recourse liability with respect to accounts receivable sold or otherwise

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disposed of by such Person, (f) the sum of all undrawn amounts and all drawings under any letters of credit for which the Person has reimbursement obligations, and (g) in the case of Borrower (without duplication) the Loans.

"Initial Loan" means the Revolving Credit Loan made to Borrower on the Effective Date.

"Installment Payment Date" means the first day of each calendar month commencing on February 1, 2004.

"Instruments" means all "instruments" as defined in Article 9 of the UCC.

"Intellectual Property" means, as to any Person, all of such Person's then owned existing and future acquired or arising patents, patent rights, copyrights, works which are the subject of copyrights, trademarks, service

marks, trade names, trade styles, patent, trademark and service mark applications (except for "intent to use" applications for trademark or service mark applications filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Section 1(c) or 1(d) of said Act has been filed), and all licenses and rights related to any of the foregoing and all other rights under any of the foregoing, all extensions, renewals, reissues, divisions, continuations and continuations-in-part of any of the foregoing and all rights to sue for past, present and future infringements of any of the foregoing.

"Interest Expense" means interest on Indebtedness during the period for which computation is being made, excluding (a) the amortization of fees and costs incurred with respect to the closing of loans which have been capitalized as transaction costs, and (b) interest paid in kind.

"Inventory" means and includes, as to any Person, (i) all "inventory" as defined in the UCC, and (ii) all of such Person's then owned or existing and future acquired or arising (a) goods intended for sale or lease or for display or demonstration, (b) work in process, (c) raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, packing, shipping, advertising, selling, leasing or furnishing of goods or otherwise used or consumed in the conduct of business, and (d) documents evidencing and general intangibles relating to any of the foregoing.

"Investment" means, with respect to any Person: (a) the direct or indirect purchase or acquisition of any beneficial interest in, any share of capital stock of, evidence of Indebtedness of or other security issued by any other Person, (b) any loan, advance or extension of credit to, or contribution to the capital of, any other Person, excluding advances to employees and prepaid expenses and deposits in the ordinary course of business for business expenses, (c) any Guaranty of the obligations of any other Person, or (d) any commitment or option to take any of the actions described in clauses (a), (b) or (c) above.

"Investment Related Property" means all "investment property" as defined in the UCC, and including, without limitation, any Deposit Accounts (regardless of whether characterized as investment property under the UCC).

"Lender" means Heartland Bank, a federal savings bank, and its successors and assigns.

"Lender's Office" means the office of the Lender specified in or determined in accordance with the provisions of Section 12.1(c).

"Liabilities" means all liabilities of a Person determined in accordance with GAAP and includable on a balance sheet of such Person prepared in accordance with GAAP.

"Lien" as applied to the property of any Person means: (a) any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security interest, security title or encumbrance of any kind in respect of any property of such Person or upon the income or profits therefrom, (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person, (c) any Indebtedness which is unpaid more than 30 days after the same shall have become due and payable and which if unpaid might by law (including, but not limited to, bankruptcy and insolvency laws) or otherwise be given any priority whatsoever over general unsecured creditors of such Person, and (d) the filing of, or any agreement to give, any financing statement under the UCC or its equivalent in any jurisdiction.

"Loan" means any Revolving Credit Loan, and all extensions, renewals and modifications thereto, as well as all such Loans collectively

"Loan Documents" means, collectively, this Agreement, the Note, the Security Documents, the Guarantees, and each other instrument, agreement and document executed and delivered by Borrower in connection with this Agreement and each other instrument, agreement or document referred to herein or contemplated hereby.

"Materially Adverse Effect" means any act, omission, event or undertaking which would, singly or in the aggregate, have a materially adverse effect upon (a) the business, assets, properties, liabilities, condition (financial or otherwise), results of operations or business prospects of the Borrower or an Obligor, (b) upon the respective ability of Borrower or an Obligor to perform any obligations under this Agreement or any other Loan Document to which it is a party, or (c) the legality, validity, binding effect, enforceability or admissibility into evidence of any Loan Document or the ability of Lender to enforce any rights or remedies under or in connection with any Loan Document; in any case, whether resulting from any single act, omission, situation, status, event, or undertaking, together with other such acts, omissions, situations, statuses, events, or undertakings .

"Money" means "money" as defined in the UCC.

"Money Borrowed" means, as applied to Indebtedness, (a) Indebtedness for money borrowed, (b) Indebtedness, whether or not in any such case the same was for money borrowed, (i) represented by notes payable and drafts accepted, that represent extensions of credit, (ii) constituting obligations evidenced by bonds, debentures, notes or similar instruments, or (iii) upon which interest charges are customarily paid (other than trade Indebtedness) or that was issued or assumed as full or partial payment for property, (c) Indebtedness that constitutes a Capitalized Lease Obligation, (d) Indebtedness that is such by virtue of clause (f) of the definition thereof, but only to the extent that the obligations Guaranteed are obligations that would constitute Indebtedness for

Money Borrowed, and (e) the sum of all undrawn amounts and all drawings under any letters of credit for which the Person has reimbursement obligations.

"Mortgage" shall mean a first lien mortgage in favor of the Lender upon the Real Property.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which Borrower or a Related Company is required to contribute or has contributed within the immediately preceding 6 years.

"Net Income" or "Net Loss" means, as applied to any Person, the net income (or net loss) of such Person for the period in question after giving effect to deduction of or provision for all operating expenses, all taxes and reserves

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(including reserves for deferred taxes and all other proper deductions), all determined in accordance with GAAP.

"Note" means the Revolving Credit Note.

"Notice of Borrowing" has the meaning set forth in Section 2.

"Obligor" means Borrower, each party to the Security Documents (other than the Lender), and each other party at any time primarily or secondarily, directly or indirectly, liable on any of the Secured Obligations.

"Organic Document" means, relative to Borrower or a Subsidiary, its certificate and articles of incorporation or organization, its by-laws or operating agreements, and all equity holder agreements, voting agreements and similar arrangements applicable to any of its authorized shares of capital stock, its partnership interests or its membership interests, and any other arrangements relating to the control or management of any such equity (whether existing as a corporation, a partnership, a limited liability company or otherwise).

"PBGC" means the Pension Benefit Guaranty Corporation or any successor agency.

"Payment Intangibles" has the meaning specified in the UCC.

"Permitted Capitalized Lease Obligations" means Capitalized Lease Obligations, incurred by Borrower after the Agreement Date, up to an aggregate amount outstanding at any time of \$150,000.00.

"Permitted Indebtedness" means

- (i) Indebtedness owing to Lender;
- (ii) accounts payable to trade creditors (including Hoopeston Foods

Denver Corp.) and current operating expenses (other than for Money Borrowed) which are not aged more than 120 days from billing date or more than 60 days from the due date, in each case incurred in the ordinary course of business and paid within such time period, unless the same are being actively contested in good faith and by appropriate and lawful proceedings; and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent accountants;

- (iii) the existing Capitalized Lease Obligations listed on Schedule 1 hereto;
- (iv) Permitted Capitalized Lease Obligations, provided that the aggregate total thereof does not exceed the limitation set forth in the definition of Permitted Capitalized Lease Obligations;
- (v) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of business;
- (vi) Indebtedness in respect of interest rate swap, cap, or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts or similar agreements designed to hedge against fluctuations in interest rates incurred in the ordinary course of business and consistent with prudent business practice;
- (vii) to the extent not mentioned above, accruals in the ordinary course of business not for Money Borrowed.

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"Permitted Investments" means Investments of Borrower in: (a) negotiable certificates of deposit, time deposits and banker's acceptances issued by the Lender or by any United States bank or trust company having capital, surplus and undivided profits in excess of \$30,000,000, (b) any direct obligation of the United States of America or any agency or instrumentality thereof which has a remaining maturity at the time of purchase of not more than one year and repurchase agreements relating to the same, (c) sales on credit in the ordinary course of business on terms customary in the industry, (d) notes, accepted in the ordinary course of business, evidencing overdue accounts receivable arising in the ordinary course of business, and (e) prime commercial paper rated A-1 or higher by Standard and Poor's Corporation or Prime P1 or higher by Moody's Investor Service, Inc.

"Permitted Liens" means: (a) Liens securing taxes, assessments and other governmental charges or levies (excluding any Lien imposed pursuant to any of the provisions of ERISA) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in

the ordinary course of business, but (i) in all cases, only if payment shall not at the time be required to be made in accordance with Section 8.3, and (ii) in the case of warehousemen or landlords controlling locations where Inventory is located, only if such liens have been waived or subordinated to the Security Interest in a manner satisfactory to the Lender; (b) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, social security, unemployment insurance or similar legislation or under surety or performance bonds, in each case arising in the ordinary course of business; (c) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of Borrower's real estate, which in the sole judgment of the Lender do not materially detract from the value of such real estate or impair the use thereof in the business of Borrower; (d) Liens of the Lender arising under this Agreement and the other Loan Documents; (e) Liens arising out of or resulting from any judgment or award which does not constitute an Event of Default; (f) Liens arising in the ordinary course of Borrower's business by operation of law or regulation, but only if payment in respect of any such Lien is not at the time required and such Liens do not in the aggregate materially detract from the value of the property of Borrower or materially impair the use thereof in the operation of Borrower's businesses; (g) Liens incurred in connection with sales contracts, leases, statutory obligations, work in progress advances and other similar obligations not incurred in connection with the borrowing of money or the payment of the deferred purchase price of property; (h) Liens arising in connection with Capitalized Lease Obligations permitted hereunder; provided, that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Lease Obligations; (i) Liens arising from leases or subleases granted to others which do not interfere in any material respects with the business of the Borrower; and (j) such other Liens as Lender may hereafter approve in writing.

"Person" means an individual, corporation, partnership, association, trust or unincorporated organization or a government or any agency or political subdivision thereof.

"Real Property" means the real property owned by Stokes Canning Company, and located at 5950 High Street, Denver, Colorado 80216.

"Receivables" means and includes, as to any Person, all of such Person's then owned or existing and future acquired or arising (a) rights to the payment of Money or other forms of consideration of any kind (whether as Accounts, Contract Rights, Chattel Paper, General Intangibles, Instruments, Investment Related Property or otherwise) including, but not limited to, Receivables, Letters of Credit Rights, tax refunds, insurance proceeds, notes, drafts, Instruments, Documents, acceptances and all other debts, obligations and

liabilities in whatever form from any Person and guaranties, security and Liens securing payment thereof, (b) goods, whether now owned or hereafter acquired,

and whether sold, delivered, undelivered, in transit or returned, which may be represented by, or the sale or lease of which may have given rise to, any such right to payment or other debt, obligation or liability, and (c) cash and non-cash proceeds of any of the foregoing.

"Receivables Records" means (i) all original copies of all documents, instruments or other writings or electronic records or other Records evidencing the Receivables, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoices, and other papers relating to Receivables, including, without limitation, all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables, whether in the possession or under the control of Borrower or any computer bureau or agent from time to time acting for Borrower or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including, without limitation, lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto and (v) all other written or non-written forms of information related in any way to the foregoing or any Receivable.

"Related Company" means, as to any Person, any (a) corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person, (b) partnership or other trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person, or (c) member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as such Person or any corporation described in clause (a) above or any partnership, trade or business described in clause (b) above.

"Restricted Distribution" by any Person means (a) its retirement, redemption, purchase, or other acquisition for value of any capital stock or other equity securities or partnership interests issued by such Person, (b) the declaration or payment of any dividend or distribution on or with respect to any such securities or other equity interests or partnership interests, (c) any loan or advance by such Person to, or other investment by such Person in, the holder of any of such securities or partnership interests, and (d) any other payment by such Person in respect of such securities or partnership interests.

"Restricted Payment" means (a) any redemption, repurchase or prepayment or other retirement, prior to the stated maturity thereof or prior to the due date of any regularly scheduled installment or amortization payment with respect thereto, of any Indebtedness of a Person (other than the Secured Obligations and trade debt), and (b) the payment by any Person of the principal amount of or interest on any Indebtedness (other than trade debt) owing to an Affiliate of such Person.

"Revolving Credit Facility" means the facility for the Revolving Credit Loans in the principal sum of up to \$5,000,000.

"Revolving Credit Loans" means loans made to Borrower pursuant to Section 2.

"Revolving Credit Note" means the Revolving Credit Note made by Borrower payable to the order of the Lender evidencing the obligation of Borrower to pay the aggregate unpaid principal amount of all Revolving Credit Loans made to it by the Lender (and any promissory note or notes that may be issued from time to time in substitution, renewal, extension, replacement or exchange therefor), substantially in the form of Exhibit A hereto.

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"SEC" means the Securities and Exchange Commission of the United States.

"Secured Obligations" means, in each case whether now in existence or hereafter arising, (a) the principal of and interest and premium, if any, on the Loans, (b) payment or performance obligations of Borrower or a Subsidiary to Lender or any Affiliate of Lender under any and all rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, or any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., or any other master agreement, entered into between Lender or an Affiliate of Lender and Borrower (any such master agreement, together with any related schedules, as amended, supplemented, superseded or replaced from time to time, a "Master Agreement"), including but not limited to any such obligations or liabilities under any Master Agreement or foreign currency exchange agreements or instruments, and (c) all indebtedness, liabilities, obligations, overdrafts, covenants and duties of Borrower and each Subsidiary to the Lender of every kind, nature and description, direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and whether or not for the payment of money under or in respect of this Agreement, any Note, the Guarantees or any of the other Loan Documents.

"Security Agreements" means the security agreement executed by each Subsidiary in favor of Lender, granting a first priority Lien upon all of the Collateral owned by each Subsidiary, to secure the Secured Obligations.

"Security Documents" means each of (a) the Financing Statements, (b) the Mortgage, (c) the Security Agreements, (d) this Agreement, and (e) each other writing executed and delivered by any Person securing the Secured Obligations or

evidencing such security.

Security Interest" means the Liens of the Lender on and in the Collateral effected hereby or by any of the Security Documents or pursuant to the terms hereof or thereof.

"Subsidiary" means a Person of which an aggregate of 50% or more of the stock of any class or classes or 50% or more of other ownership interests is owned of record or beneficially by such other Person (including Borrower) or by one or more Subsidiaries of such other Person (including Borrower) or by such other Person and one or more Subsidiaries of such Person (including Borrower), (i) if the holders of such stock or other ownership interests (A) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or other individuals performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency, or (B) are entitled, as such holders, to vote for the election of a majority of the directors (or individuals performing similar functions) of such Person, whether or not the right so to vote exists by reason of the happening of a contingency, or (ii) in the case of such other ownership interests, if such ownership interests constitute a majority voting interest.

"Supporting Obligations" means all "supporting obligations" as defined in Revised Article 9.

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"Taxes" means, for any period, the aggregate of all taxes of Borrower for such period, as determined in accordance with GAAP, to the extent the same are paid in cash during the period.

"Termination Date" means the date three (3) years after the Agreement Date.

"Termination Event" means (a) a "Reportable Event" as defined in Section 4043(b) of ERISA, but excluding any such event as to which the provision for 30 days' notice to the PBGC is waived under applicable regulations, (b) the filing of a notice of intent to terminate a Benefit Plan or the treatment of a Benefit Plan amendment as a termination under Section 4041 of ERISA, or (c) the institution of proceedings to terminate a Benefit Plan by the PBGC under Section 4042 of ERISA or the appointment of a trustee to administer any Benefit Plan.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Missouri.

"Unfunded Vested Accrued Benefits" means, with respect to any Benefit Plan at any time, the amount (if any) by which (a) the present value of all vested nonforfeitable benefits under such Benefit Plan exceeds (b) the fair market value of all Benefit Plan assets allocable to such benefits, as determined using such reasonable actuarial assumptions and methods as are specified in Schedule B

(Actuarial Information), Part 1, Line C to the most recent Annual Report (Form 5500) filed with respect to such Benefit Plan.

Section 1.2 Other Referential Provisions.

- (a) All terms in this Agreement, the Exhibits and Schedules hereto shall have the same defined meanings when used in any other Loan Documents, unless the context shall require otherwise.
- (b) Except as otherwise expressly provided herein, all accounting terms not specifically defined or specified herein shall have the meanings generally attributed to such terms under GAAP including, without limitation, applicable statements and interpretations issued by the Financial Accounting Standards Board and bulletins, opinions, interpretations and statements issued by the American Institute of Certified Public Accountants or its committees.
- (c) All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular.
- (d) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.
- (e) Titles of Articles and Sections in this Agreement are for convenience only, do not constitute part of this Agreement and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Articles, Sections, Subsections, paragraphs, clauses, subclauses, Schedules or Exhibits shall refer to the corresponding Article, Section, Subsection, paragraph, clause or subclause of, or Schedule or Exhibit attached to, this Agreement, unless specific reference is made to the articles, sections or other subdivisions or divisions of, or to schedules or exhibits to, another document or instrument.
- (f) Each definition of a document in this Agreement shall include such document as amended, modified, supplemented or restated from time to time in accordance with the terms of this Agreement.

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- (g) Except where specifically restricted, reference to a party to a Loan Document includes that party and its successors and assigns permitted hereunder or under such Loan Document.
- (h) Unless otherwise specifically stated, whenever a time is referred to in this Agreement or in any other Loan Document, such time shall be the local time in St. Louis, Missouri.

- (i) Whenever the phrase "to the knowledge of Borrower" or words of similar import relating to the knowledge of Borrower are used herein, such phrase shall mean and refer to (i) the actual knowledge of the President or chief financial officer or (ii) the knowledge that such officers would have obtained if they had engaged in good faith in the diligent performance of their duties, including the making of such reasonable specific inquiries as may be necessary of the appropriate persons in a good faith attempt to ascertain the accuracy of the matter to which such phrase relates.
- (j) The terms accounts, chattel paper, documents, goods, equipment, instruments, general intangibles and inventory, as and when used (without being capitalized) in this Agreement or the Security Documents, shall have the meanings given those terms in the UCC.

Section 1.3 Exhibits and Schedules. All Exhibits and Schedules attached hereto are by reference made a part hereof.

ARTICLE 2 - REVOLVING CREDIT FACILITY

Section 2.1 Revolving Credit Loans. Upon the terms and subject to the conditions of, and in reliance upon the representations and warranties made under this Agreement, the Lender shall make Revolving Credit Loans to Borrower from time to time from the Effective Date hereof to the Termination Date, as requested by Borrower in accordance with the terms of Section 2.2, in an aggregate principal amount outstanding not to exceed at any time the lesser of (a) the Revolving Credit Facility or (b) the Borrowing Base. It is expressly understood and agreed that the Lender may and at present intends to use the lesser of the amounts referred to in the foregoing Subclauses (a) and (b) as a maximum ceiling on Revolving Credit Loans; provided, however; that it is agreed that should Revolving Credit Loans exceed the ceiling so determined or any other limitation set forth in this Agreement, such Revolving Credit Loans shall nevertheless constitute Secured Obligations and, as such, shall be entitled to all benefits thereof and security therefor. The principal amount of any Revolving Credit Loan which is repaid may be reborrowed by Borrower in accordance with the terms of this Section 2. The Lender is hereby authorized to record each repayment of principal of the Revolving Credit Loans in its books and records, such books and records constituting prima facie evidence of the accuracy of the information contained therein.

Section 2.2 Manner of Borrowing Revolving Credit Loans. Borrowings of the Revolving Credit Loans shall be made as follows:

- (a) Requests for Borrowing.
 - (i) Revolving Credit Loans. A request for the borrowing of a Revolving Credit Loan shall be made, or shall be deemed to be made, in the following manner:
 - (A) Borrower may request a Revolving Credit Loan by giving

the Lender notice, before 11:00 a.m. (Central time) on the proposed borrowing date of its intention to borrow, specifying the amount of the proposed borrowing and the proposed borrowing date; provided, however, that if any notice referred to in this Clause (a) (i) is received after

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11:00 a.m. (Central time), the proposed borrowing will be postponed automatically to the next Business Day;

(B) whenever a check is presented to the Lender for payment against the Disbursement Account in an amount greater than the then available balance in such account, such presentation shall be deemed to be a request for a Revolving Credit Loan on the date of such notice in an amount equal to the excess of such check over such available balance, and such request shall be irrevocable; and

(C) unless payment is otherwise made by the Borrower, the maturity of any Secured Obligation required to be paid shall be deemed to be a request for a Revolving Credit Loan on the due date in the amount required to pay such Secured Obligation.

(ii) Notice of Borrowing. Any request for a Revolving Credit Loan under Section 2.2(a)(i)(A) (a "Notice of Borrowing") shall be made in writing, using the Initial Request for Advance Form or Periodic Request for Advance Form, attached respectively as Exhibit B-1 and B-2 as applicable.

(b) Disbursement of Loans. The Borrower hereby irrevocably authorizes the Lender to disburse the proceeds of each borrowing requested, or deemed to be requested, pursuant to this Section 2.2 as follows: (i) the proceeds of each borrowing requested under Section 2.2(a)(i)(A) or (B) shall be disbursed by the Lender in lawful money of the United States of America in immediately available funds, (A) in the case of the initial borrowing, in accordance with the Notice of Borrowing referred to in Section 4.1(a)(9), and (B) in the case of each subsequent borrowing, by credit to the Disbursement Account or to such other account as may be agreed upon by the Borrower and the Lender from time to time; and (ii) the proceeds of each borrowing requested under Section 2.2(a)(i)(C) or (D) shall be disbursed, by the Lender by way of direct payment of the relevant principal, interest or other Secured Obligation, as the case may be.

Section 2.3 Repayment of Revolving Credit Loans. The interest on each Revolving Credit Loan shall be due and payable by Borrower on the Installment

Payment Date for that Loan, and the entire outstanding principal balance of all Revolving Credit Loans shall be due and payable in full, whether or not any Default or Event of Default has occurred on the Termination Date, and shall be repaid by the Borrower in full together with accrued and unpaid interest on the amount repaid to the date of repayment. If at any time the aggregate unpaid principal amount of the Revolving Credit Loans then outstanding exceeds the lesser of the amounts referred to in Clauses (a) and (b) of Section 2.1, the Borrower shall repay the Revolving Credit Loans in an amount sufficient to reduce the aggregate unpaid principal amount of such Loans by an amount equal to such excess, together with accrued and unpaid interest on the amount repaid to the date of repayment.

Section 2.4 Revolving Credit Note. The Revolving Credit Loans and the obligation of the Borrower to repay such Loans shall also be evidenced by a single Revolving Credit Note payable to the order of the Lender. Such Note shall be dated the Effective Date and be duly and validly executed and delivered by the Borrower.

Section 2.5 Voluntary Termination of Revolving Credit Facility. The Borrower may from time to time permanently reduce or terminate the amount of the Revolving Credit Facility in whole or in part (in minimum amounts of \$500,000 or in integral multiples thereof, or if less, the full remaining amount of the then applicable Revolving Credit Facility) upon five (5) Business Days prior written

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notice to Lender; provided, however, that no such termination or reduction shall be made which would cause the aggregate principal amount of the outstanding Revolving Credit Loans to exceed the lesser of (i) the Revolving Credit Facility and (ii) the Borrowing Base unless, concurrently with such termination or reduction, the Revolving Credit Loans are repaid to the extent necessary to eliminate such excess.

ARTICLE 3 - GENERAL LOAN PROVISIONS

Section 3.1 Interest. (a) The Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Loan for each day from the day such Loan was made until such Loan is paid (whether at maturity, by reason of acceleration or otherwise) at a rate per annum equal to the Base Rate plus one and one-half percent (1.5%), provided, however, that the interest rate shall in no event be less than five and one-half percent (5.5%) per annum, payable monthly in arrears on each Installment Payment Date and on the Termination Date.

- (b) From and after the occurrence of an Event of Default, the unpaid principal amount of each Secured Obligation shall bear interest until paid in full (or, if earlier, until such Event of Default is cured or waived in writing by the Lender) at a rate per annum equal to the Default Rate, payable on demand. The interest rate provided for in this Section 3.1(b) shall to the extent permitted by applicable law apply to and accrue on the amount of any judgment

entered with respect to any Secured Obligation and shall continue to accrue at such rate during any proceeding described in Section 11.1(g) or (h).

- (c) The interest rates provided for in Sections 3.1(a) and (b) shall be computed on the basis of a year of 365 days and the actual number of days elapsed.
- (d) It is not intended by the Lender, and nothing contained in this Agreement or any Note shall be deemed, to establish or require the payment of a rate of interest in excess of the maximum rate permitted by applicable law (the "Maximum Rate"). If, in any month, the Effective Interest Rate, absent such limitation, would have exceeded the Maximum Rate, then the Effective Interest Rate for that month shall be the Maximum Rate, and if, in future months, the Effective Interest Rate would otherwise be less than the Maximum Rate, then the Effective Interest Rate shall remain at the Maximum Rate until such time as the amount of interest paid hereunder equals the amount of interest which would have been paid if the same had not been limited by the Maximum Rate. In this connection, in the event that, upon payment in full of the Secured Obligations, the total amount of interest paid or accrued under the terms of this Agreement is less than the total amount of interest which would have been paid or accrued if the Effective Interest Rate had at all times been in effect, then the Borrower shall, to the extent permitted by applicable law, pay to the Lender an amount equal to the difference between (i) the lesser of (A) the amount of interest which would have been charged if the Maximum Rate had, at all times, been in effect and (B) the amount of interest which would have accrued had the Effective Interest Rate, at all times, been in effect, and (ii) the amount of interest actually paid or accrued under this Agreement. In the event the Lender receives, collects or applies as interest any sum in excess of the Maximum Rate, such excess amount shall be applied to the reduction of the principal balance of the applicable Secured Obligation, and, if no such principal is then outstanding, such excess or part thereof remaining shall be paid to the Borrower.
- (e) Borrower will pay a late charge of five percent (5%) of the payment amount due under the Note but not paid within ten (10) days of due date.

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Section 3.2 Fees.

- (a) Commitment Fee. In connection with and as consideration for the Lender's commitment hereunder, subject to the terms hereof, to lend to the Borrower under the Revolving Credit Facility, the Borrower shall pay a fee to the Lender, from the Effective Date until the

Termination Date, in an amount equal to the average daily unused portion of the Revolving Credit Facility times one-half of one percent (.5%), payable quarterly in arrears on the last Business Day of each calendar quarter and on the date of any permanent reduction in the Revolving Credit Facility.

- (b) Facility Fee. The Borrower has paid a loan commitment fee to the Lender in the amount of \$50,000 in connection with the establishment of the Revolving Credit Facility and in consideration of the making of Loans under this Agreement and in order to compensate the Lender for the costs associated with structuring, processing, approving and closing the Revolving Credit Facility and the Loans, but excluding expenses for which the Borrower has agreed elsewhere in this Agreement to reimburse the Lender.
- (c) Examination Fee. For services performed by the Lender in performing field examinations hereunder, Borrower shall pay to the Lender a fee of \$5,000 plus the reasonable out-of-pocket expenses of the Lender, payable in arrears upon demand, for up to (i) one field examination per calendar year if the total outstanding principal balance of all Loans at the time the examination is initiated is less than \$4,000,000 and (ii) two field examinations per calendar year if the total outstanding principal balance of all Loans at the time the examination is initiated is \$4,000,000 or more; provided, that the foregoing limitations shall not apply after the occurrence and during the continuance of an Event of Default.

Sections 3.3 - 3.6: Not Used.

Section 3.7 Increased Costs and Reduced Returns. Borrower agrees that if any law now or hereafter in effect and whether or not presently applicable to Lender or any request, guideline or directive of any Governmental Authority (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) or the interpretation or administration thereof by any Governmental Authority, shall either (a) (i) impose, affect, modify or deem applicable any reserve, special deposit, capital maintenance or similar requirement against any Loan, (ii) impose on Lender any other condition regarding any Loan, this Agreement, the Note or the facilities provided hereunder, or (iii) result in any requirement regarding capital adequacy (including any risk-based capital guidelines) affecting Lender being imposed or modified or deemed applicable to Lender, or (b) subject Lender to any taxes on the recording, registration, notarization or other formalization of the Loans or the Note, and the result of any event referred to in clause (a) or (b) above shall be to increase the cost to Lender of making, funding or maintaining any Loan or to reduce the amount of any sum receivable by Lender or Lender's rate of return on capital with respect to any Loan to a level below that which the Lender could have achieved but for such imposition, modification or deemed applicability (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed by Lender in its reasonable discretion to be material, then, upon demand by Lender, Borrower shall immediately pay to the Lender additional amounts which shall be sufficient to compensate Lender for

such increased cost, tax or reduced rate of return, and which amount shall be reimbursed to Borrower if such Lender receives a refund or credit therefor. A certificate of Lender provided to Borrower claiming compensation under this Section 3.7 shall be final, conclusive and binding on all parties for all purposes in the absence of manifest error. Such certificate shall set forth the

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nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to it hereunder, and the method by which such amounts were determined. In determining such amount, the affected Lender may use any reasonable averaging and attribution methods.

Section 3.8 Manner of Payment. (a) Each payment (including prepayments) by the Borrower on account of the principal of or interest on the Loans or of any fee or other amounts payable to the Lender under this Agreement or the Note shall be made not later than 2:00 p.m. on the date specified for payment under this Agreement (or if such day is not a Business Day, the next succeeding Business Day) to the Lender at the Lender's Office, in Dollars, in immediately available funds and shall be made without any setoff, counterclaim or deduction whatsoever.

(b) The Borrower hereby irrevocably authorizes the Lender and each Affiliate of the Lender to charge any account of the Borrower or any Subsidiary, maintained with the Lender or such Affiliate with such amounts as may be necessary from time to time to pay any Secured Obligations which are not paid when due.

Section 3.9 Statements of Account. The Lender will account to the Borrower within 30 days after the end of each calendar month with a statement of Loans, charges and payments made pursuant to this Agreement during such calendar month, and such account rendered by the Lender shall be deemed an account stated as between the Borrower and the Lender and shall be deemed final, binding and conclusive unless the Lender is notified by the Borrower in writing to the contrary within 90 days after the date such account is delivered to the Borrower, save for manifest error. Any such notice shall be deemed an objection only to those items specifically objected to therein. Failure of the Lender to render such account shall in no way affect its rights hereunder.

Section 3.10 Termination of Agreement. On the Termination Date, the Borrower shall pay to the Lender, in same day funds, an amount equal to the aggregate amount of all Loans outstanding on such date, together with accrued interest thereon, all fees payable pursuant to the provisions of this Agreement accrued from the date last paid through the effective date of termination, any amounts payable to the Lender pursuant to the other provisions of this Agreement, any and all other Secured Obligations then outstanding, and provide the Lender with an indemnification agreement in form and substance satisfactory to the Lender with respect to returned and dishonored items and such other matters as the Lender shall require.

Section 4.1 Conditions Precedent to Initial Loans. Notwithstanding any other provision of this Agreement, the Lender's obligation to make the initial advance under the Revolving Credit Loan is subject to the fulfillment of each of the following conditions prior to or contemporaneously with the making of such Loan:

- (a) Closing Documents. The Lender shall have received each of the following documents, all of which shall be satisfactory in form and substance to the Lender and its counsel:
- (1) this Agreement, duly executed and delivered by Borrower;
 - (2) all Loan Documents and any other documents and instruments necessary or advisable in connection with the Loans each dated the Effective Date and duly executed and delivered by the Borrower; and, to the extent a party thereto, each Obligor;
 - (3) certified copies of the articles of incorporation and

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by-laws, of the Borrower and each Subsidiary as in effect on the Effective Date;
 - (4) certified copies of all corporate action, including stockholder approval, if necessary, taken by Borrower and each Subsidiary to authorize the execution, delivery and performance of this Agreement and the other Loan Documents and the borrowings under this Agreement;
 - (5) certificates of incumbency and specimen signatures with respect to the officers of the Borrower and each Obligor who are authorized to execute and deliver this Agreement or any other Loan Document on behalf of the Borrower and each Obligor or any document, certificate or instrument to be delivered in connection with this Agreement or the other Loan Documents and to request borrowings under this Agreement;
 - (6) a certificate evidencing the good standing of the Borrower and each Subsidiary in the jurisdiction of its organization and in each other jurisdiction in which it is qualified as a foreign corporation to transact business;
 - (7) certificates or binders of insurance relating to each of the policies of insurance covering any of the Collateral

together with loss payable clauses which comply with the terms of Section 7.8(b);

- (8) a letter from Borrower to the Lender requesting the Initial Loans and specifying the method of disbursement, substantially in the form of Exhibit B-1, attached hereto;
- (9) copies of all the financial statements referred to in Section 5.1(1) and meeting the requirements thereof;
- (10) a certificate of the President or Chief Executive Officer of Borrower stating that, to the best of his knowledge and based on an examination sufficient to enable him to make an informed statement, (a) all of the representations and warranties made or deemed to be made under this Agreement are true and correct as of the Effective Date, both with and without giving effect to the Loans to be made at such time and the application of the proceeds thereof, (b) no Default or Event of Default exists and (c) setting forth a pro forma calculation of the financial covenants set forth in Section 10.1, substantially in the form of Exhibit D, attached hereto;
- (11) a signed opinion of counsel for Borrower, opining as to such matters in connection with this Agreement as the Lender or its counsel may reasonably request;
- (12) evidence that Borrower has obtained at its cost and with respect to the Real Property owned by Stokes Canning Company an ALTA lender's policy of title insurance in favor of the Lender, containing no title exceptions other than those approved by the Lender in writing and containing such endorsements as Lender may require;
- (13) a Phase I environmental survey and an environmental operating survey, each addressed to the Lender, a real estate appraisal, and a flood plain letter, all with respect to the Real Property and each to be in form and content

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satisfactory to the Lender in its discretion;

- (14) an as-built survey of the Real Property conforming to American Land Title Association Minimum Standards;
- (15) a consent and subordination agreement and estoppel certificate from any facility or warehouse in which

Inventory of a Borrower or an Obligor is located, and which is leased to or under the operating control of a third party including but not limited to the Real Property;

- (16) a complete, self-contained narrative appraisal report for the Real Property addressed to Borrower and to Lender, and prepared by an appraiser satisfactory to Lender;
- (17) copies of the Co-Pack and Warehousing Agreement between Stokes Canning Company and Hoopeston Foods Denver Corp., and any related agreement between those parties or their Affiliates; and
- (18) copies of each of the other Loan Documents duly executed by the parties thereto with evidence satisfactory to the Lender and its counsel of the due authorization, binding effect and enforceability of each such Loan Document on each such party and such other documents and instruments as the Lender may reasonably request.

- (b) No Injunctions, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit or to obtain substantial damages in respect of or which is related to or arises out of this Agreement or the consummation of the transactions contemplated hereby or which, in the Lender's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement.
- (c) Material Adverse Change. As of the Effective Date, there shall not have occurred any change which, in the Lender's sole discretion, has had or may have a Materially Adverse Effect as compared to the condition of Borrower presented by the most recent unaudited financial statements of Borrower or Subsidiaries described in Section 5.1(1).
- (d) Solvency. The Lender shall have received evidence satisfactory to it that, after giving effect to the Initial Loans (i) Borrower has assets having value, both at fair value and at present fair saleable value, greater than the amount of its liabilities, and (ii) Borrower's assets are sufficient in value to provide Borrower with sufficient working capital to enable it profitably to operate its business and to meet its obligations as they become due, and (iii) Borrower has adequate capital to conduct the business in which it is and proposes to be engaged.
- (e) Release of Security Interests. The Lender shall have received written evidence satisfactory to Lender that each holder of a Lien, other than holders of Permitted Liens, agrees to release and

terminate such Lien upon said holder's receipt of an identified amount of proceeds of the Loans.

- (f) Initial Public Offering. Borrower shall have completed its initial public offering pursuant to its Form SB-2 filed with the Securities and Exchange Commission on August 12, 2003, which offering shall have resulted in the receipt by Borrower of at least \$5,794,180.98 in net offering proceeds (defined as gross proceeds from the offering less

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underwriting discounts, commissions, and related costs).

- (g) Agreement and Plan of Merger. The transaction contemplated by the Agreement and Plan of Merger dated as of October 20, 2003, among Borrower, Stokes Ellis Foods, Inc., James E. Lewis and Janis M. Lewis shall have been consummated in accordance with the terms thereof.
- (h) Fees and Expenses. Borrower shall have paid all fees and expenses required to be paid by Borrower on or before the Effective Date as required hereunder and under the loan commitment of Lender to Borrower dated July 30, 2003.

Section 4.2 Conditions Precedent to All Loans. At the time of making of each Loan, including the Initial Loan:

- (a) all of the representations and warranties made or deemed to be made under this Agreement shall be true and correct at such time both with and without giving effect to the Loans to be made at such time and the application of the proceeds thereof, except that representations and warranties which, by their terms, are applicable only to the Agreement Date shall be true and correct only as of that date, and except for such modifications to the representations and warranties as are necessary due to the passage of time or change in circumstances and as are disclosed to and approved by Lender,
- (b) the actions of Borrower referred to in Section 4.1(a) (4) shall remain in full force and effect and the incumbency of officers shall be as stated in the certificates of incumbency delivered pursuant to Section 4.1(a) (5) or as subsequently modified and reflected in a certificate of incumbency delivered to the Lender, and
- (c) the Lender may, without waiving either condition, consider the conditions specified in this Section 4.2 fulfilled and a representation by Borrower to such effect made if no written notice to the contrary is received by the Lender from Borrower prior to the making of the Loans then to be made.

Section 5.1 Representations and Warranties. Borrower represents and warrants to the Lender as follows:

- (a) Organization; Power; Qualification. Borrower and each Subsidiary is an entity duly organized, validly existing and in good standing under the laws of each's jurisdiction of organization, has the power and authority to own properties and to carry on business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which failure to be so qualified and authorized would have a Materially Adverse Effect.
- (b) Subsidiaries and Ownership of Borrower. The Subsidiaries of Borrower and each Obligor are listed on Schedule 5.1(r) attached. The outstanding stock of Borrower and each Subsidiary has been duly and validly issued and is fully paid and nonassessable.
- (c) Authorization of Agreement, Note, Loan Documents and Borrowing. Borrower and each Obligor has the right and power and has taken all necessary action to authorize it to execute, deliver and perform this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms and to borrow hereunder. This Agreement and each of the other Loan Documents to which it is a party have been duly executed and delivered by the duly authorized officers of Borrower and each Obligor, and is, or when executed and

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delivered in accordance with this Agreement will be, a legal, valid and binding obligation of Borrower and each Obligor, enforceable in accordance with their respective terms.

- (d) Compliance of Agreement, Note, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance of this Agreement and each of the other Loan Documents to which Borrower or an Obligor is a party in accordance with their respective terms and the borrowings hereunder do not and will not, by the passage of time, the giving of notice or otherwise,
 - (i) require any Governmental Approval or violate any applicable law relating to Borrower or any of its Affiliates,
 - (ii) conflict with, result in a breach of or constitute a default under (A) the Organic Documents of Borrower or an Obligor, (B) any indenture, agreement or other instrument to which Borrower or an Obligor, is a party or by which any of its property may be bound (C) any Governmental Approval relating to Borrower or

an Obligor, or,

- (iii) result in or require the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any property now owned or hereafter acquired by Borrower or an Obligor other than the Security Interest.
- (e) Compliance with Law; Governmental Approvals. Borrower and each Obligor (i) has all Governmental Approvals, including permits relating to federal, state and local Environmental Laws, ordinances and regulations required by any applicable law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to the knowledge of Borrower, threatened attack by direct or collateral proceeding, and (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other applicable laws relating to it, including, without being limited to, all Environmental Laws and all occupational health and safety laws applicable to Borrower and each Obligor or their properties, except in the case of both (i) and (ii) above for instances of noncompliance which would not, singly or in the aggregate, cause a Default or Event of Default or have a Materially Adverse Effect and in respect of which adequate reserves have been established on the books of Borrower and each Obligor.
- (f) Title to Properties. Borrower and each Obligor has good and marketable title to or a valid leasehold interest in all their respective real estate and valid and legal title to or a valid leasehold interest in their respective personal property and assets used in or necessary to the conduct of each's business, including, but not limited to, those reflected on the balance sheet of Borrower delivered pursuant to Section 5.1(1).
- (g) Liens. None of the properties and assets of Borrower or an Obligor is subject to any Lien, except Permitted Liens. Other than the Financing Statements and such existing security interests, no financing statement under the Uniform Commercial Code of any state which names Borrower or an Obligor as debtor and which has not been terminated has been filed in any state or other jurisdiction, and Borrower has not signed any such financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement, except to perfect Permitted Liens.
- (h) Indebtedness and Guaranties. Neither Borrower nor an Obligor is in

default of any material provision of any agreement evidencing or relating to any Indebtedness.

- (i) Litigation. Except as set forth in Schedule 5.1(i), there are no actions, suits or proceedings pending (nor, to the knowledge of Borrower, are there any actions, suits or proceedings threatened, nor is there any basis therefor) against or in any other way relating adversely to or affecting Borrower or an Obligor or any of their respective property in any court or before any arbitrator of any kind or before or by any governmental body.
- (j) Tax Returns and Payments. All United States federal, state and local and foreign national, provincial and local and all other tax returns of Borrower and Obligors required by applicable law to be filed have been duly filed, and all United States federal, state and local and foreign national, provincial and local and all other taxes, assessments and other governmental charges or levies upon Borrower or an Obligor and their respective properties, income, profits and assets which are due and payable have been paid, except any such nonpayment which is at the time permitted under Section 8.3 and except for payments which are in a bona fide dispute and involve an amount of less than \$50,000. The charges, accruals and reserves on the books of Borrower and each Obligor in respect of United States federal, state and local taxes and foreign national, provincial and local taxes for all fiscal years and portions thereof since the organization of such entities are in the judgment of Borrower adequate, and Borrower knows of no reason to anticipate any additional assessments for any of such years which, singly or in the aggregate, might have a Materially Adverse Effect.
- (k) Burdensome Provisions. Neither Borrower nor an Obligor is a party to any indenture, agreement, lease or other instrument, or subject to any charter or corporate restriction, Governmental Approval or applicable law, compliance with the terms of which would have a Materially Adverse Effect.
- (l) Financial Statements. Borrower has furnished to the Lender a copy of the consolidated balance sheet of Borrower and its Subsidiaries as at September 30, 2003, and the related statements of income, cash flow and retained earnings for the portion of the calendar year then ended. Such financial statements are complete and correct in all material respects and present fairly and in all material respects in accordance with GAAP, the financial position of Borrower as at the dates thereof and the results of operations of Borrower for the periods then ended, subject to normal year-end audit adjustments. Except as disclosed or reflected in such financial statements or the notes thereto, Borrower has no material liabilities, contingent or otherwise, and there were no material unrealized or anticipated losses of Borrower.
- (m) Adverse Change. Since September 30, 2003, no change in the business, assets, liabilities, condition (financial or otherwise), results of operations or business prospects of Borrower or an Obligor has occurred that has had, or reasonably may have, a Materially Adverse

Effect, and (ii) no event has occurred or failed to occur which has had, or may have, a Materially Adverse Effect.

- (n) Absence of Defaults. Neither Borrower nor an Obligor is in default under its Organic Documents, and no event has occurred which has not been remedied, cured or waived (i) that constitutes a Default or an Event of Default or (ii) that constitutes or that, with the passage of time or giving of notice, or both, would constitute a default or event of default under any material agreement (other than this Agreement) or judgment, decree or order to which Borrower or an Obligor is a party

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or by which Borrower or any of its properties may be bound or which would require Borrower or an Obligor to make any payment thereunder prior to the scheduled maturity date therefor.

- (o) Accuracy and Completeness of Information. All written information, reports and other papers and data produced by or on behalf of Borrower or an Obligor and furnished to the Lender were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, no fact is known to Borrower which has had, or may in the future have (so far as Borrower can foresee), a Materially Adverse Effect which has not been set forth in the financial statements or disclosure delivered prior to the Effective Date, in each case referred to in Section 5.1(1), or in such written information, reports or other papers or data or otherwise disclosed in writing to the Lender prior to the Effective Date. The documents furnished or written statements, taken as a whole, made to the Lender by Borrower or an Obligor in connection with the negotiation, preparation or execution of this Agreement or any of the Loan Documents do not contain any untrue statement of a fact material to the creditworthiness of Borrower or an Obligor and do not omit to state a material fact necessary in order to make the statements contained therein not misleading.
- (p) Place of Business. The business locations of the Borrower and each Obligor are set forth in Schedule 5.1(p).
- (q) Equipment. All Equipment is in good order and repair in all material respects, reasonable wear and tear excepted.
- (r) Corporate and Fictitious Names; Trade Names. Except as otherwise disclosed on Schedule 5.1(r), during the one-year period preceding the Agreement Date, neither Borrower nor an Obligor has been known as, nor has it used, any corporate or fictitious name other than the corporate name of Borrower or each Obligor on the Effective Date. All trade names or styles under which Borrower or an Obligor sells

Inventory or Equipment or creates Receivables, or to which instruments in payment of Receivables are made payable, are listed on Schedule 5.1(r).

- (s) Federal Regulations. Borrower is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each of the quoted terms is defined or used in Regulations U and X of the Board of Governors of the Federal Reserve System).
- (t) Investment Company Act; SEC Reporting. Borrower is not an "investment company" or a company "controlled" by an "investment company" (as each of the quoted terms is defined or used in the Investment Company Act of 1940, as amended). Borrower (i) is required to file reports under Section 15(d) of the Securities Exchange Act of 1934 and (ii) has registered securities under Section 12 of the Securities Exchange Act of 1934.
- (u) Intellectual Property. Borrower and each Obligor owns or possesses all Intellectual Property required to conduct its businesses as now and presently planned to be conducted without, to its knowledge, conflict in any material respect with the rights of others and Schedule 5.1(u) lists all Intellectual Property owned by Borrower and each Obligor.
- (v) ERISA. Neither Borrower nor any Related Company maintains or contributes to any Benefit Plan other than those listed on Schedule 5.1(v). Each Benefit Plan is in substantial compliance with ERISA, and neither Borrower nor any Related Company has received any notice

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asserting that a Benefit Plan is not in compliance with ERISA. No material liability to the PBGC or to a Multiemployer Plan has been, or is expected by Borrower to be, incurred by Borrower or any Related Company.

- (w) Employee Relations. Neither Borrower nor an Obligor is, except as set forth on Schedule 5.1(w), party to any collective bargaining agreement nor has any labor union been recognized as the representative of Borrower's or an Obligor's employees; Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other labor disputes involving its employees or those of its Subsidiaries.
- (x) Status of Inventory. All Inventory included in any Borrowing Base Certificate delivered to Lender pursuant to Section 7.13(d) meets the criteria enumerated in the definition of Eligible Inventory except as disclosed in such Borrowing Base Certificate or in a subsequent Borrowing Base Certificate or as otherwise specifically

disclosed in writing to Lender. Set forth on Schedule 5.1(x) is the (i) address (including street, city, county and state) of each facility at which Inventory is located, (ii) the approximate quantity in Dollars of the Inventory customarily located at each such facility, and (iii) if the facility is leased or is a third party warehouse or processor location, the name of the landlord or such third party warehouseman or processor. All Inventory is located on the premises set forth on Schedule 5.1(x), except as otherwise disclosed in writing to the Lender; Borrower has not located Inventory at premises other than those set forth on Schedule 5.1(x) at any time during the four months immediately preceding the Agreement Date.

- (y) Status of Receivables. Each Receivable reflected in the computations included in any Borrowing Base Certificate meets the criteria enumerated in the definition of Eligible Receivables, except as disclosed in such Borrowing Base Certificate or as disclosed in a timely manner in a subsequent Borrowing Base Certificate or otherwise in writing to Lender.
- (z) Commercial Tort Claims. Except as set forth in Schedule 5.1(z), Borrower has not filed, taken action to file, or otherwise have any interest in any Commercial Tort Claim with a claim value in excess of \$50,000 individually or \$300,000 in the aggregate.
- (aa) Loans to Directors or Officers. None of the proceeds of the Loans will be used directly or indirectly to fund a personal loan to or for the benefit of a director or executive officer of Borrower.

Section 5.2 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Article 5 and in other Loan Documents (including, but not limited to, any such representation, warranty or statement made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Agreement Date, at and as of the Effective Date and at and as of the date of each Loan, except that representations and warranties which, by their terms are applicable only to one such date shall be deemed to be made only at and as of such date, except for such modifications to the representations and warranties as are necessary due to the passage of time or change in circumstances and as are disclosed to and approved by Lender. All representations and warranties made or deemed to be made under this Agreement shall survive and not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lender or any borrowing hereunder.

ARTICLE 6 - SECURITY INTEREST

Section 6.1 Security Interest. To secure the payment, observance and

performance of the Secured Obligations, Borrower hereby pledges and assigns all of the Collateral to the Lender and grants to Lender a continuing security interest in, and a continuing Lien upon, all of the Collateral.

Section 6.2 Continued Priority of Security Interest. (a) The Security Interest granted by Borrower shall at all times be valid, perfected and enforceable against Borrower and all third parties in accordance with the terms of this Agreement, as security for the Secured Obligations, and the Collateral shall not at any time be subject to any Liens that are prior to, on a parity with or junior to the Security Interest, other than Permitted Liens.

- (b) Borrower shall, at their sole cost and expense, take all action that may be necessary or desirable, or that the Lender may request, so as at all times to maintain the validity, perfection, enforceability and rank of the Security Interest in the Collateral in conformity with the requirements of Section 6.2(a) or to enable the Lender to exercise or enforce its rights hereunder, including, but not limited to: (i) paying all taxes, assessments and other claims lawfully levied or assessed on any of the Collateral, except to the extent that such taxes, assessments and other claims constitute Permitted Liens, (ii) diligently seeking to obtain, after the Agreement Date, mechanics' releases, subordinations or waivers, (iii) delivering to the Lender, endorsed or accompanied by such instruments of assignment as the Lender may specify, and stamping or marking in such manner as the Lender may specify, any and all chattel paper, instruments, letters and advices of guaranty and documents evidencing or forming a part of the Collateral, and (iv) executing and delivering financing statements, pledges, designations, hypothecations, notices and assignments, in each case in form and substance satisfactory to the Lender, relating to the creation, validity, perfection, maintenance or continuation of the Security Interest under the UCC or other applicable law.
- (c) The Lender is hereby (i) irrevocably designated, made, constituted and appointed (as well as all Persons designated by the Lender from time to time) as Borrower's true and lawful attorney and agent in fact, for the purpose of executing Financing Statements and any continuation statements or amendments thereto, on behalf of Borrower for the purpose of perfecting the security interests granted herein; and (ii) authorized to file one or more financing or continuation statements or amendments thereto without the signature of or in the name of Borrower for any purpose described in Section 6.2(b). A carbon, photographic or other reproduction of this Agreement or of any of the Security Documents or of any financing statement filed in connection with this Agreement is sufficient as a financing statement, to the extent permitted by applicable law.
- (d) Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect the Security Interest and shall cause its financial statements to reflect the Security Interest.

ARTICLE 7 - COLLATERAL COVENANTS

Until the Revolving Credit Facility has been terminated and all the Secured Obligations have been indefeasibly paid in full:

Section 7.1 Verification; Notification and Defense of Title. (a) Except for Permitted Liens, Borrower shall at all times be the sole owner of each and every item of Collateral and shall not create any Lien on, or sell, lease, exchange, assign, transfer, pledge, hypothecate, grant a security interest or security title in or otherwise dispose of, any of the Collateral or any interest therein, except for sales of Inventory in the ordinary course of business, for cash or on

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open account or on terms of payment ordinarily extended to its customers. Nothing contained in this subsection shall be interpreted to prohibit any sales of assets permitted under other provisions hereof. The inclusion of "proceeds" of the Collateral under the Security Interest shall not be deemed a consent by the Lender to any other sale or other disposition of any part or all of the Collateral.

- (b) Borrower shall defend its title in and to the Collateral and shall defend the Security Interest in the Collateral against the claims and demands of all Persons, except for Permitted Liens.
- (c) In addition to, and not in derogation of, the foregoing and the requirements of any of the Security Documents, Borrower shall (i) protect and preserve all properties material to its business, including Intellectual Property and maintain all tangible property in good and workable condition in all material respects, with reasonable allowance for wear and tear, and (ii) from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements and additions to such properties necessary for the conduct of its business, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

Section 7.2 Disputes, Returns and Adjustments. (a) In the event amounts due and owing under any Receivable in excess of \$25,000 are in dispute between the Account Debtor and Borrower, Borrower shall provide Lender with prompt written notice thereof.

- (b) Borrower shall notify Lender promptly of all material returns and credits in excess of \$25,000 in respect of any Receivable from an Account Debtor (or any series of returns or credits accepted or given at substantially the same time in respect of any Receivables of an Account Debtor), which notice shall specify the Receivables affected.

- (c) Borrower may, in the ordinary course of business and prior to a Default or an Event of Default, grant any extension of time for payment of any Receivable or compromise, compound or settle the same for less than the full amount thereof or release wholly or partly any Person liable for the payment thereof or allow any credit or discount whatsoever thereon; provided that (i) no such action results in the reduction of more than \$25,000 in the amount payable with respect to Receivable or of more than \$25,000 with respect to all Receivables in any fiscal year of Borrower, and (ii) Lender is promptly notified of the amount of such adjustments and the Receivable(s) affected thereby.

Section 7.3 Invoices. (a) Borrower will not use any invoices except invoices calling for standard payment terms as currently in effect with Borrower.

- (b) Upon the request of Lender, Borrower shall deliver to the Lender, at Borrower's expense, copies of customers' invoices or the equivalent, original shipping and delivery receipts or other proof of delivery, customers' statements, the original copy of all documents, including, without limitation, repayment histories and present status reports, relating to Receivables and such other documents and information relating to the Receivables as Lender shall specify.

Section 7.4 Delivery of Instruments. In the event any Receivable in an amount in excess of \$25,000 is, or Receivables in excess of \$25,000 in the aggregate are, at any time evidenced by a promissory note or notes, trade acceptance or any other instrument for the payment of money, Borrower will immediately thereafter deliver such instruments to Lender, appropriately endorsed to Lender.

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Section 7.5 Sales of Inventory. All sales of Inventory will be made in compliance with all material requirements of applicable law.

Section 7.6 Returned Goods. The Security Interest in the Inventory shall, without further act, attach to the cash and non-cash proceeds resulting from the sale or other disposition thereof and to all Inventory which is returned to Borrower by customers or is otherwise recovered.

Section 7.7 [Reserved].

Section 7.8 Insurance. (a) Borrower shall at all times maintain insurance on the Inventory against loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as Lender shall reasonably specify, in amounts and under policies issued by insurers acceptable to Lender. All premiums on such insurance shall be paid by Borrower and copies of the policies delivered to Lender. Borrower will not use or permit the Inventory or Equipment to be used

in violation of any applicable law or in any manner which might render inapplicable any insurance coverage.

- (b) All insurance policies required under Section 7.8(a) shall name Lender as an additional named insured and shall contain "New York standard" loss payable clauses in the form submitted to Borrower by Lender, or otherwise in form and substance satisfactory to Lender, naming Lender as loss payee as its interests may appear, and providing that (i) all proceeds thereunder shall be payable to Lender, (ii) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy, and (iii) such policy and loss payable clauses may not be cancelled, amended or terminated unless at least 30 days' prior written notice is given to Lender.
- (c) Any proceeds of insurance referred to in this Section 7.8 which are paid to Lender shall be promptly released to Borrower upon receipt by Lender of adequate assurance that such proceeds will be used only to rebuild, restore or replace the damaged or destroyed property.
- (d) Borrower shall at all times maintain, in addition to the insurance required by Section 7.8(a) or any of the Security Documents, insurance with responsible insurance companies against such risks and in such amounts as is customarily maintained by similar businesses or as may be required by applicable law, including such public liability, products liability, third party property damage and business interruption insurance as is consistent with reasonable business practices, and from time to time deliver to Lender 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.

Section 7.9 Location of Offices and Collateral. (a) Borrower will not change the location of its chief executive office or the place where it keeps its books and records relating to the Collateral or change its name, identity, jurisdiction of organization or corporate structure without giving Lender 30 days' prior written notice thereof.

- (b) All Inventory, other than Inventory in transit to any such location, will at all times be kept by Borrower at one of the locations set forth in Schedule 5.1(x), and shall not, without the prior written consent of Lender, be removed therefrom except, so long as no Event of Default shall have occurred and be continuing, for sales of Inventory in the ordinary course of business.
- (c) If any Inventory is in the possession or control of any of Borrower's agents or processors, Borrower shall notify such agents or processors

of the Security Interest and, upon the occurrence of an Event of Default, shall instruct them (and cause them to acknowledge such instruction) to hold all such Inventory for the account of Lender, subject to the instructions of Lender.

Section 7.10.....Records Relating to Collateral. (a) Borrower will at all times (i) keep complete and accurate records of Inventory on a basis consistent with past practices of Borrower, itemizing and describing the kind, type and quantity of Inventory and Borrower's cost therefor and a current price list for such Inventory, and (ii) keep complete and accurate records of all other Collateral.

(b) Borrower will take a physical listing of all Inventory, wherever located, at least annually.

Section 7.11.....Inspection. Lender (by any of its officers, employees or agents) shall have the right, to the extent that the exercise of such right shall be within the reasonable control of Borrower, at any time or times to (a) visit the properties of Borrower, inspect the Collateral and the other assets of Borrower and inspect and make extracts from the books and records of Borrower, including, but not limited to, management letters prepared by independent accountants, all during customary business hours at such premises, (b) discuss Borrower's business, assets, liabilities, financial condition, results of operations and business prospects, insofar as the same are reasonably related to the rights of the Lenders hereunder or under any of the Loan Documents, with Borrower's (i) principal officers, (ii) independent accountants and other professionals providing services to Borrower, and (iii) any other Person (except that any such discussion with any third parties shall be conducted only in accordance with Lender's standard operating procedures relating to the maintenance of confidentiality of confidential information of Borrower), and (c) verify the amount, quantity, value and condition of, or any other matter relating to, any of the Collateral and in this connection to review, audit and make extracts from all records and files related to any of the Collateral. Borrower will deliver to Lender any instrument necessary to authorize an independent accountant or other professional to have discussions of the type outlined above with Lender or for Lender to obtain records from any service bureau maintaining records on behalf of Borrower.

Section 7.12.....Maintenance of Property. Borrower shall maintain all physical property that constitutes equipment or fixtures or real estate in good and workable condition in all material respects, with reasonable allowance for wear and tear, and shall exercise proper custody over all such property.

Section 7.13.....Information and Reports.

(a) Schedule of Receivables. Borrower shall deliver to Lender (i) on or before the Effective Date, a Schedule of Receivables as of a date not more than three Business Days prior to the Effective Date setting forth a detailed aged trial balance of all of its then existing Receivables, specifying the name of and the balance due

from (and any rebate due to) each Account Debtor obligated on a Receivable so listed, and (ii) no later than 21 days after the end of each month, a Schedule of Receivables as of the last Business Day of Borrower's immediately preceding month setting forth (A) a detailed aged trial balance of all Borrower's then existing Receivables, specifying the name of and the balance due from (and any rebate due to) each Account Debtor obligated on a Receivable so listed and (B) a reconciliation to the Schedule of Receivables delivered in respect of the next preceding month.

- (b) Schedule of Inventory. Borrower shall deliver to Lender on or before the Effective Date, and no later than 21 days after the end of each month thereafter, a Schedule of Inventory as of the last Business Day

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of the immediately preceding month, itemizing and describing the kind, type, quantity and location of Inventory and the cost thereof.

- (c) Borrowing Base Certificate. Borrower shall deliver to Lender within 21 days after the last day of each month, and at other times as Lender may request, a Borrowing Base Certificate prepared on a consolidated basis as of the close of business on the last Business Day of such month.
- (d) Other Information. Borrower shall also furnish to Lender such other information with respect to the Collateral as Lender may from time to time reasonably request.
- (e) Suspension of Duty to Provide Reports. Lender agrees that Borrower shall not be required to provide the reports and certificates under (a) through (c) above for any period of time that the total outstanding principal balance of all Loans (including the principal amount of any pending request for advance under the Note) is less than \$4,000,000. In the event the said principal balance becomes less than \$4,000,000 after being equal to or greater than \$4,000,000, the reports and certificates under (a)-(c) above shall remain required for a period of three (3) full calendar months after the date the principal balance becomes less than \$4,000,000.

ARTICLE 8 - AFFIRMATIVE COVENANTS

Until the Loans have been paid and all the Secured Obligations have been indefeasibly paid in full, unless the Lender shall otherwise consent in the manner provided for in Section 12.11, Borrower will:

Section 8.1 Preservation of Existence and Similar Matters. Preserve and maintain its existence and the existence of each Subsidiary as a corporation as well as all rights, franchises, licenses and privileges in the jurisdiction of

its incorporation and qualify and remain qualified as a foreign corporation or organization and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization, except to the extent the failure to do so would not have a Materially Adverse Effect.

Section 8.2 Compliance with Applicable Law. Comply with all applicable laws relating to Borrower, except to the extent the failure to do so would not have a Materially Adverse Effect.

Section 8.3 Payment of Taxes and Claims. Pay or discharge when due (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, might become a Lien on any properties of Borrower, except that this Section 8.3 shall not require the payment or discharge of any such tax, assessment, charge, levy or claim which (i) is being contested in good faith by appropriate proceedings and for which adequate reserves have been established on the appropriate books, or (ii) which is in an amount of less than \$50,000.

Section 8.4 Accounting Methods and Financial Records. Maintain a system of accounting, and keep such books, records and accounts (which shall be true and complete), as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP consistently applied.

Section 8.5 Use of Proceeds. (a) Use the proceeds of the Loans to (i) provide working capital to Borrower and its Subsidiaries, and (ii) repay all amounts owing under the working capital loans described on Schedule 8.5 hereto, and

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- (b) not use any part of such proceeds to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulation T, U or X of the Board of Governors of the Federal Reserve System) or for any other purpose which would involve a violation of such Regulation T, U or X of such Board of Governors or for any other purpose prohibited by law or by the terms and conditions of this Agreement.

Section 8.6 Hazardous Waste and Substances; Environmental Requirements.

- (a) In addition to, and not in derogation of, the requirements of Section 8.2 and of the Security Documents, except to the extent the failure to do so would not have a Materially Adverse Effect, comply and cause each Subsidiary to comply with all laws, governmental standards and regulations applicable to Borrower or to any of its assets in respect of occupational health and safety laws, rules and regulations and Environmental Laws, promptly notify the Lender of

its receipt of any notice of a violation of any such law, rule, standard or regulation and indemnify and hold the Lender harmless from all loss, cost, damage, liability, claim and expense incurred by or imposed upon the Lender on account of Borrower's failure to perform its obligations under this Section 8.6.

- (b) Whenever Borrower gives notice to the Lender pursuant to this Section 8.6 with respect to a matter that reasonably could be expected to result in liability to Borrower in excess of \$50,000 in the aggregate, Borrower shall, at the Lender's request and Borrower's expense, (i) cause an independent environmental engineer acceptable to the Lender to conduct such tests of the site where the noncompliance or alleged noncompliance with Environmental Laws has occurred and prepare and deliver to the Lender a report setting forth the results of such tests, a proposed plan to bring Borrower into compliance with such Environmental Laws and an estimate of the costs thereof, and (ii) provide to the Lender a supplemental report of such engineer whenever the scope of the noncompliance or the response thereto or the estimated costs thereof shall materially change.

Section 8.7 Accuracy of Information. All written information, reports, statements and other papers and data furnished to the Lender, whether pursuant to Article 9 or any other provision of this Agreement or any of the other Loan Documents, shall be, at the time the same is so furnished, complete and correct in all material respects to the extent necessary to give the Lender true and accurate knowledge of the subject matter.

Section 8.8 Revisions or Updates to Schedules. Should any of the information or disclosures provided on any of the Schedules originally attached hereto become outdated or incorrect in any material respect, Borrower shall provide promptly to the Lender such revisions or updates to such Schedule(s) as may be necessary or appropriate to update or correct such Schedule(s); provided that no such revisions or updates to any Schedule(s) shall be deemed to have cured any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule(s) unless and until the Lender, in its sole discretion, shall have accepted in writing such revisions or updates to such Schedule(s).

Section 8.9 Operating Account. Throughout the duration of this Agreement from and after sixty (60) days after the date of this Agreement, maintain its operating deposit accounts with the Lender. The deposit accounts of Borrower and Subsidiaries are listed on Schedule 8.9.

Section 8.10 Notice of SEC Reporting. Borrower will notify Lender promptly upon it (i) being required to file reports under Section 15(d) of the Securities

Exchange Act of 1934 ("Exchange Act"), or (ii) registering securities under

Section 12 of the Exchange Act.

Section 8.11 Reporting Compliance. Borrower will timely file with the SEC, and provide to the Lender concurrently therewith, all SEC Documents as are specified in the Exchange Act as being required to be filed by U.S. corporations that are subject to reporting requirements of the Exchange Act. In addition, the Borrower shall timely file with NASDAQ or other applicable stock exchange and provide to the Lender concurrently therewith, all SEC Documents required to be filed therewith. Each SEC Document to be filed by the Borrower, when filed with the SEC or NASDAQ or other applicable stock exchange, as the case may be, will comply with all applicable requirements of the Securities Act, the Exchange Act, the NASDAQ or other applicable stock exchange rules, as applicable, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Borrower and its Subsidiaries to be included in each SEC document to be filed by the Borrower will comply as to form, as of the date of its filing with the SEC, with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, will be prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by the SEC) and will fairly present in all material respects the consolidated financial position of the Borrower and its Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to the omission of footnotes and normal year-end audit adjustments consistent with past practices and consistently applied). Notwithstanding anything to the contrary contained in this Section 8.11, the Borrower shall not be deemed to be in default of this Section 8.11 if the Borrower is late in filing any SEC document, provided that (a) such SEC document is filed with the SEC within ten (10) Business Days after the filing was due, shall notify the Lender in writing of the late filing and (b) the Borrower shall not rely on the grace period in this sentence on more than two (2) occasions during the term of this Agreement.

ARTICLE 9 - INFORMATION

Until the Revolving Credit Facility has been terminated and all the Secured Obligations have been indefeasibly paid in full, unless the Lender shall otherwise consent in the manner set forth in Section 12.11, Borrower will furnish to the Lender at the Lender's Office:

Section 9.1 Financial Statements.

- (a) Audited Year-End Statements. As soon as available, but in any event within 90 days after the end of each fiscal year of Borrower, copies of the consolidated and consolidating balance sheet of Borrower as at the end of such fiscal year and the related consolidated and consolidating statements of income, shareholder's equity, partner equity or members' equity (as applicable) and cash flow for such fiscal year, in each case setting forth in comparative form the figures for the previous year-end and reported on, without

qualification, by independent certified public accountants selected by Borrower and acceptable to the Lender.

- (b) Periodic Financial Statements. As soon as available, but in any event within 45 days after the end of each accounting quarter of Borrower, copies of the consolidated and consolidating unaudited balance sheet of Borrower as at the end of such quarter, and the related unaudited consolidated and consolidating income statement for such period and for the portion of the fiscal year of Borrower through such period.
- (c) Projected Financial Statements. As soon as available, but in any event

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within 30 days after the end of each fiscal year of Borrower, a forecasted income statement prepared by Borrower, setting forth the assumptions on which such forecasted income statement was prepared, covering the one-year period until the next fiscal year-end.

All such financial statements referred to in clauses (a) and (b) shall be complete and correct in all material respects and shall be prepared in accordance with GAAP (except, with respect to interim financial statements, for the omission of footnotes and normal year-end audit adjustments consistent with past practices and consistently applied) applied consistently throughout the periods reflected therein.

Section 9.2 Authorization. Borrower authorizes the Lender to discuss the financial condition of Borrower with its independent certified public accountants and agrees that such discussion or communication shall be without liability to either the Lender or Borrower's independent certified public accountants.

Section 9.3 Copies of Other Reports. (a) Promptly upon receipt thereof, copies of all reports, if any, submitted to Borrower or its Board of Directors by its independent public accountants, including, without limitation, all management reports.

- (b) From time to time and promptly upon each request, such forecasts, data, certificates, reports, statements, documents or further information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of Borrower as the Lender may reasonably request. The rights of the Lender under this Section 9.3(b) are in addition to and not in derogation of its rights under any other provision of this Agreement or any Loan Document.

Section 9.4 Notice of Litigation and Other Matters.

Notice of:

- (a) the commencement, to the extent Borrower is aware of the same, of all proceedings and investigations by or before any governmental or nongovernmental body and all actions and proceedings in any court or before any arbitrator against or in any other way relating adversely to, or adversely affecting, Borrower, any Subsidiary or any Affiliate of Borrower or any of their respective property, assets or businesses which might, singly or in the aggregate, cause a Default or an Event of Default or have a Materially Adverse Effect,
- (b) any amendment of the Organic Documents of Borrower or a Subsidiary,
- (c) any change in the business, assets, liabilities, financial condition, results of operations or business prospects of Borrower, any Subsidiary or any Affiliate of Borrower which has had or may have any Materially Adverse Effect, and any change in the executive officers of Borrower, and
- (d) any (i) Default or Event of Default, or (ii) event that constitutes or that, with the passage of time or giving of notice or both, would constitute a default or event of default by Borrower under (A) any agreement with Hoopeston Foods Denver Corp., or (B) any other material agreement (other than this Agreement) to which Borrower is a party or by which Borrower or of its property may be bound, if the exercise of remedies thereunder by the other party to such agreement would have, either individually or in the aggregate, a Materially Adverse Effect.

Section 9.5ERISA. As soon as possible and in any event within 30 days after Borrower knows, or has reason to know, that:

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- (a) any Termination Event with respect to a Benefit Plan has occurred or will occur,
- (b) the aggregate present value of the Unfunded Vested Accrued Benefits under all Plans has increased to an amount in excess of \$0, or
- (c) Borrower is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan required by reason of its complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Multiemployer Plan,

certificate of the President or the chief financial officer of Borrower setting forth the details of such of the events described in clauses (a) through (c) as applicable and the action which is proposed to be taken with respect thereto and, simultaneously with the filing thereof, copies of any notice or filing which may be required by the PBGC or other agency of the United States

government with respect to such of the events described in clauses (a) through (c) as applicable.

Section 9.6 Officer's Certificate. Within 30 days after the end of each fiscal quarter of the Borrower, a certificate of the Borrower's Chief Executive Officer, President or chief financial officer (a) stating that, based on an examination sufficient to enable such officer to make an informed statement, no Default or Event of Default exists or, if such is not the case, specifying such Default or Event of Default and its nature, when it occurred, whether it is continuing and the steps being taken by the Borrower with respect to such Default or Event of Default; (b) stating that, to the best of his knowledge, the financial statements of the Borrower delivered to the Lender pursuant to Section 9.1(b) for each fiscal quarter then ended present fairly the financial condition and results of operations of the Borrower as of the date hereof and for the periods then ended, subject to normal year end adjustments; and (c) setting forth the calculations necessary to establish whether or not the Borrower were in compliance with the covenants contained in Section 10.1 as of the date of such statements.

ARTICLE 10 - NEGATIVE COVENANTS

Until the Revolving Credit Facility has been terminated and all the Secured Obligations have been indefeasibly paid in full, Borrower will not directly or indirectly or permit a Subsidiary directly or indirectly:

Section 10.1.....Financial Covenants.

- (a) Minimum Consolidated Net Worth. As of the last day of each fiscal quarter of Borrower commencing with the fiscal quarter of Borrower ending March 31, 2004, permit the sum of Borrowers' Consolidated Net Worth to be less than \$7,500,000.

- (b) Minimum Debt Service Coverage Ratio. As of the last day of each fiscal quarter of Borrower commencing with the fiscal quarter of Borrower ending September 30, 2004, permit the consolidated Debt Service Coverage Ratio, measured for each fiscal quarter, to be less than 1.5:1.0. The measurement of such Ratio for the fiscal quarter ending December 31, 2004 will be for the immediately preceding two fiscal quarters (i.e., the third and fourth fiscal quarters of 2004), for the fiscal quarter ending March 31, 2005 will be for the immediately preceding three fiscal quarters (i.e., the third and fourth fiscal quarters of 2004 and the first fiscal quarter of 2005), and for the fiscal quarter ending June 30, 2005 and each fiscal quarter thereafter will be for the immediately preceding four fiscal quarters; provided, however, that the foregoing financial covenant will be applicable only upon and after the end of the first fiscal quarter the total

outstanding principal balance of all Loans is greater than \$3,000,000.

Section 10.2.....Termination of Material Agreement. Voluntarily terminate any material agreement to which Borrower or a Subsidiary is a party or by which Borrower or any of its property may be bound if the termination of such agreement would have, either individually or in the aggregate, a Materially Adverse Effect.

Section 10.3.....Indebtedness. Create, assume, or otherwise become or remain obligated in respect of, or permit or suffer to exist or to be created, assumed or incurred or to be outstanding any Indebtedness for Money Borrowed, except for Permitted Indebtedness for Money Borrowed.

Section 10.4.....Guarantees. Become or remain liable with respect to any Guaranty of any obligation of any other Person, except for Guarantees of Permitted Indebtedness.

Section 10.5.....Investments. Acquire, after the Agreement Date, any business unit or Investment or, after such date, permit any Investment to be outstanding, other than Permitted Investments.

Section 10.6.....Restricted Distributions and Payments. Declare or make any Restricted Distribution or Restricted Payment, unless at the time of each such Restricted Distribution or Restricted Payment and after giving effect thereto, no Default or Event of Default exists or would result therefrom (including, without limitation, a Default in compliance with the financial covenants in Section 10.1 computed as of the date of such transaction.

Section 10.7.....Merger, Consolidation and Sale of Assets. Without the prior written consent of Lender, merge or consolidate with any other Person, unless the Borrower is the surviving entity and the combined net worth of Borrower is increased as a result of the transaction, or sell, lease or transfer or otherwise dispose of all or a substantial portion of its assets to any Person.

Section 10.8.....Transactions with Affiliates. Effect any transaction with any Affiliate on a basis less favorable to Borrower than would be the case if such transaction had been effected with a Person not an Affiliate.

Section 10.9.....Liens. Create, assume or permit or suffer to exist or to be created or assumed any Lien on any of the property or assets of Borrower, real, personal or mixed, tangible or intangible, except for Permitted Liens.

Section 10.10.....Benefit Plans. Permit, or take any action which would result in, the aggregate present value of the Unfunded Vested Accrued Benefits under all Benefit Plans of Borrower to exceed \$0.

Section 10.11.....Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing from such Person of real or personal

property which has been or is to be sold or transferred, directly or indirectly, by Borrower to such Person.

Section 10.12.....Amendments of Other Agreements. Amend in any way the interest rate or principal amount or schedule of payments of principal and interest with respect to any Indebtedness for Money Borrowed (other than the Secured Obligations) other than to reduce the interest rate or extend the schedule of payments with respect thereto.

Section 10.13.....Subsidiaries. Organize or acquire any Subsidiary or activate any currently inactive Subsidiary, except in connection with a merger, acquisition or consolidation in which the Borrower is the surviving entity and the combined net worth of Borrower is increased as a result of the transaction.

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ARTICLE 11 - DEFAULT

Section 11.1.....Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or nongovernmental body:

- (a) Default in Payment of Loans. Borrower shall default in any payment of principal of, or interest on, any Loan or Note within ten (10) days of when the same shall become due and payable (whether at maturity, by reason of acceleration or otherwise).
- (b) Other Payment Default. Borrower shall default in the payment, as and when due, of principal of or interest on, any other Secured Obligation, and such default shall continue for twenty (20) days after the due date.
- (c) Misrepresentation. Any representation or warranty made or deemed to be made by Borrower under this Agreement or any other Loan Document or any amendment hereto or thereto shall at any time prove to have been incorrect or misleading in any material respect when made, and, if capable of being cured, Borrower fails to cure such incorrect or misleading representation or warranty within 30 days after notice from Lender.
- (d) Default in Performance. (i) Borrower shall default in the performance or observance of a term, covenant, condition or agreement contained in Section 6.2, 8.5, 9.1 or 10.1; and, in the instance of Section 6.2, 8.5 and 9.1, fails to cure such default within ten (10) days after the sooner to occur of Borrower's receipt of notice of such default from Lender or the date on which such default first became known to any officer of Borrower; or (ii) Borrower shall default in the performance or observance of any other

term, covenant, condition or agreement contained in this Agreement, any Letter of Credit, or any other Loan Document and the default is not cured to the satisfaction of Lender within thirty (30) days after the sooner to occur of Borrower's receipt of notice of such default from Lender or the date on which such default first became known to any officer of Borrower.

- (e) Indebtedness Cross-Default. (i) Borrower shall fail to pay when due and payable the principal of or interest on any Indebtedness for Money Borrowed (other than the Loans or Note) where the principal amount of such Indebtedness for Money Borrowed is in excess of \$50,000 and such Indebtedness shall have been accelerated, or (ii) the maturity of any Indebtedness for Money Borrowed shall have been accelerated as a result of such default or event of default in accordance with the provisions of any indenture, contract or instrument providing for the creation of or concerning such Indebtedness, or (iii) any event shall have occurred and be continuing which, with or without the passage of time or the giving of notice, or both, would permit any holder or holders of such Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person to be accelerate such maturity and such Indebtedness shall have been accelerated.
- (f) Other Cross-Defaults. Borrower shall default in the payment when due or in the performance or observance of any material obligation or condition of any agreement, contract or lease (other than the Security Documents or any such agreement, contract or lease relating to Indebtedness), including without limitation the agreements between Borrower or a Subsidiary and Hoopston Foods Denver Corp., if the exercise of remedies thereunder by the other party to such agreement could have a Materially Adverse Effect, unless Borrower and the other

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party are in good faith discussions or negotiations concerning the resolution of such a default). For the purposes only of this sub-Section (f), if the amount involved with a payment or performance or observance obligation is less than \$50,000, it shall be deemed not to have a Materially Adverse Effect.

- (g) Voluntary Bankruptcy Proceeding. Any Obligor shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) commence a proceeding seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and

appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

- (h) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against any Obligor in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of any Obligor or of all or any substantial part of the assets, domestic or foreign, of any Obligor, and such case or proceeding shall continue undismissed or unstayed for a period of 90 consecutive calendar days, or an order granting the relief requested in such case or proceeding against any Obligor (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.
- (i) Loan Documents. After the expiration of any applicable cure periods, any event of default or Event of Default under any other Loan Document shall occur or any Obligor shall default in the performance or observance of any material term, covenant, condition or agreement contained in, or the payment of any other sum covenanted to be paid by any Obligor under, any such Loan Document; or any provision of this Agreement, or of any other Loan Document after delivery thereof hereunder, shall for any reason cease to be valid and binding, other than a nonmaterial provision rendered unenforceable by operation of law, or any Obligor or other party thereto (other than the Lender) shall so state in writing; or this Agreement or any other Loan Document, after delivery thereof hereunder, shall for any reason (other than any action taken independently by the Lender and except to the extent permitted by the terms thereof) cease to create a valid, perfected and, except as otherwise expressly permitted herein, first priority Lien on, or security interest in, any of the Collateral purported to be covered thereby.
- (j) Judgment. A judgment or order for the payment of money in an amount in excess of \$50,000 shall be entered against any Obligor by any court and such judgment or order shall continue unbonded, undischarged or unstayed for 90 days.
- (k) Attachment. A warrant or writ of attachment or execution or similar process shall be issued against any property of any Obligor and such warrant or process shall continue undischarged or unstayed for 90 days.

- (l) Material Adverse Change. There occurs any act, omission, event, undertaking or circumstance or series of acts, omissions, events, undertakings or circumstances which have, or in the reasonable judgment of the Lender would have, either individually or in the aggregate, a Materially Adverse Effect.

- (m) ERISA. (i) Any Termination Event with respect to a Benefit Plan shall occur that, after taking into account the excess, if any, of (A) the fair market value of the assets of any other Benefit Plan with respect to which a Termination Event occurs on the same day (but only to the extent that such excess is the property of Borrower) over (B) the present value on such day of all vested nonforfeitable benefits under such other Benefit Plan, results in an Unfunded Vested Accrued Benefit in excess of \$0, (ii) any Benefit Plan shall incur an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA) for which a waiver has not been obtained in accordance with the applicable provisions of the Code and ERISA, or (iii) Borrower is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan resulting from Borrower's complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Multiemployer Plan.

Section 11.2.....Remedies.

- (a) Automatic Acceleration and Termination of Facilities. Upon the occurrence of an Event of Default specified in Section 11.1(g) or (h), (i) the principal of and the interest on the Loans and the Notes at the time outstanding, and all other amounts owed to the Lender under this Agreement or any of the Loan Documents and all other Secured Obligations, shall thereupon become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or any of the Loan Documents to the contrary notwithstanding, and (ii) the Revolving Credit Facility and the commitment of the Lender to make advances thereunder or under this Agreement shall immediately terminate.

- (b) Other Remedies. If any Event of Default (other than as specified in Section 11.1(g) or (h)) shall have occurred and be continuing, the Lender, in its sole and absolute discretion, may do either or both of the following:
 - (i) declare the principal of and interest on the Loans and the Notes at the time outstanding, and all other amounts owed to the Lender under this Agreement or any of the Loan Documents and all other Secured Obligations, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in

this Agreement or the Loan Documents to the contrary notwithstanding, together with interest on such amounts at the Default Rate;

- (ii) terminate the Revolving Credit Facility and any commitment of the Lender to make advances hereunder.
- (c) Further Remedies. If any Event of Default shall have occurred and be continuing, the Lender, in its sole and absolute discretion, may do any of the following:
- (i) notify, or request the Borrower to notify, in writing or otherwise, any Account Debtor or obligor with respect to any one or more of the Receivables to make payment to the Lender or any agent or designee of the Lender, at such address as may be

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specified by the Lender, and, if, notwithstanding the giving of any notice, any Account Debtor or other such obligor shall make payments to the Borrower, the Borrower shall hold all such payments in trust for the Lender, without commingling the same with other funds or property of, or held by, the Borrower and shall deliver the same to the Lender or any such agent or designee immediately upon receipt by the Borrower in the identical form received, together with any necessary endorsements;

- (ii) settle or adjust disputes and claims directly with Account Debtors and other obligors on Receivables for amounts and on terms which the Lender considers advisable and in all such cases only the net amounts received by the Lender in payment of such amounts, after deductions of costs and attorneys' fees, shall constitute Collateral, and the Borrower shall have no further right to make any such settlements or adjustments or to accept any returns of merchandise;
- (iii) enter upon any premises on which Inventory may be located and, without resistance or interference by Borrower, take physical possession of any or all thereof and maintain such possession on such premises or move the same or any part thereof to such other place or places as the Lender shall choose, without being liable to Borrower on account of any loss, damage or depreciation that may occur as a result thereof, so long as the Lender shall act reasonably and in good faith;
- (iv) at the expense of Borrower, cause any of the Inventory to be placed in a public or field warehouse, and the Lender shall not be liable to Borrower on account of any loss, damage or

depreciation that may occur as a result thereof, so long as the Lender shall act reasonably and in good faith;

- (v) without notice, demand or other process, and without payment of any rent or any other charge, enter any of Borrower's premises and, without breach of the peace, until the Lender completes the enforcement of its rights in the Collateral, take possession of such premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of Borrower's equipment, for the purpose of (A) completing any work in process, preparing any Inventory for disposition and disposing thereof, and (B) collecting any Receivable, and the Lender is hereby granted a license or sublicense and all other rights as may be necessary, appropriate or desirable to use the Intellectual Property in connection with the foregoing, and the rights of Borrower under all licenses and franchise agreements shall inure to the Lender's benefit (provided, however, that any use of any federally registered trademarks as to any goods shall be subject to the control as to the quality of such goods of the owner of such trademarks and the goodwill of the business symbolized thereby);
- (vi) exercise any and all of its rights under any and all of the Security Documents; or
- (vii) exercise all of the rights and remedies of a secured party under the UCC (whether or not the UCC is applicable) and under any other applicable law, including, without limitation, the right, without notice except as specified below and with or without taking the possession thereof, to sell the Collateral or any part thereof in one or more parcels at public or private sale, at any location chosen by the Lender, for cash, on credit or for future

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delivery and at such price or prices and upon such other terms as the Lender may deem commercially reasonable. Borrower agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notice, but notice given in any other reasonable manner or at any other reasonable time shall also constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and

place to which it was so adjourned. Section 11.3 Application of Proceeds. All proceeds from each sale of, or other realization upon, all or any part of the Collateral following an Event of Default shall be applied or paid over as follows:

- (a) First: to the payment of all costs and expenses incurred in connection with such sale or other realization, including attorneys' fees,
- (b) Second: to the payment of the Secured Obligations (with Borrower remaining liable for any deficiency) in any order which the Lender may elect, and
- (c) Third: the balance (if any) of such proceeds shall be paid to Borrower or, subject to any duty imposed by law or otherwise, to whomsoever is entitled thereto.

The Borrower shall remain liable and will pay, on demand, any deficiency remaining in respect of the Secured Obligations, together with interest thereon at a rate per annum equal to the highest rate then payable hereunder on such Secured Obligations, which interest shall constitute part of the Secured Obligations.

Section 11.4.....Power of Attorney. In addition to the authorizations granted to the Lender under any other provision of this Agreement or any of the Loan Documents, upon and during the continuance of an Event of Default, Borrower hereby irrevocably designates, makes, constitutes and appoints the Lender (and all Persons designated by the Lender from time to time) as Borrower's true and lawful attorney and agent in fact, and the Lender or any agent of the Lender may, without notice or authorization, and at such time or times as the Lender or any such agent in its sole discretion may determine, in the name of Borrower or the Lender,

- (a) demand payment of the Receivables, enforce payment thereof by legal proceedings or otherwise, settle, adjust, compromise, extend or renew any or all of the Receivables or any legal proceedings brought to collect the Receivables, discharge and release the Receivables or any of them and exercise all of Borrower's rights and remedies with respect to the collection of Receivables,
- (b) prepare, file and sign the name of Borrower on any proof of claim in bankruptcy or any similar document against any Account Debtor or any notice of Lien, assignment or satisfaction of Lien or similar document in connection with any of the Collateral,
- (c) endorse the name of Borrower upon any chattel paper, document, instrument, notice, freight bill, bill of lading or similar document or agreement relating to the Receivables, the Inventory or any other Collateral,
- (d) use the information recorded on or contained in any data processing

equipment and computer hardware and software relating to the Receivables, Inventory or other Collateral to which Borrower has access.

Section 11.5.....Miscellaneous Provisions Concerning Remedies.

- (a) Rights Cumulative. The rights and remedies of the Lender under this Agreement, the Notes and each of the Loan Documents shall be cumulative and not exclusive of any rights or remedies which it or they would otherwise have. In exercising such rights and remedies, the Lender may be selective and no failure or delay by the Lender in exercising any right shall operate as a waiver of such right nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.
- (b) Limitation of Liability. Nothing contained in this Article 11 or elsewhere in this Agreement or in any of the Loan Documents shall be construed as requiring or obligating the Lender or any agent or designee of the Lender to make any demand or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim or notice or take any action with respect to any Receivable or any other Collateral or the moneys due or to become due thereunder or in connection therewith or to take any steps necessary to preserve any rights against prior parties, and neither the Lender nor any of its agents or designees shall have any liability to Borrower for actions taken pursuant to this Article 11, any other provision of this Agreement or any of the Loan Documents, so long as the Lender or such agent or designee shall act reasonably and in good faith.
- (c) Appointment of Receiver. In any action under this Article 11, the Lender shall be entitled to the appointment of a receiver, without notice of any kind whatsoever, to take possession of all or any portion of the Collateral and to exercise such power as the court shall confer upon such receiver.

Section 11.6.....Trademark License. Borrower hereby grants to the Lender the nonexclusive right and license to use any trademark used by Borrower, for the purposes set forth in Section 11.2(c)(vi) and for the purpose of enabling the Lender to realize on the Collateral and to permit any purchaser of any portion of the Collateral through a foreclosure sale or any other exercise of the Lender's rights and remedies under the Loan Documents to use, sell or otherwise dispose of the Collateral bearing any such trademark. Such right and license is granted free of charge, without the requirement that any monetary payment whatsoever be made to Borrower or any other Person by the Lender.

Section 12.1.....Notices.

- (a) Method of Communication. Except as specifically provided in this Agreement or in any of the Loan Documents, all notices and the communications hereunder and thereunder shall be in writing or by telephone subsequently confirmed in writing. Notices in writing shall be delivered personally or sent by overnight courier service, by certified or registered mail, or postage pre-paid, and shall be deemed received, in the case of personal delivery, when delivered, in the case of overnight courier service, on the next Business Day after delivery to such service, and in the case of mailing, on the third day after mailing (or, if such day is a day on which deliveries of mail are not made, on the next succeeding day on which deliveries of mail are made). A telephonic notice to the Lender as understood by the Lender will be deemed to be the controlling and proper notice in the

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event of a discrepancy with or failure to receive a confirming written notice.

- (b) Addresses for Notices. Notices to any party shall be sent to it at the following addresses, or any other address of which all the other parties are notified in writing.

If to Borrower:... Centennial Specialty Foods Corporation
400 Inverness Parkway, Suite 200
Englewood, Colorado 80112
Attention: Jeffrey R. Nieder
Facsimile No.: (720) 870-3981

If to the Lender:. Heartland Bank
212 S. Central Avenue
St. Louis, Missouri 63105
Attention: David P. Minton
Facsimile No.: (314) 512-8502

- (c) Lender's Office. The Lender hereby designates its office designated above or any subsequent office which shall have been specified for such purpose by written notice to Borrower, as the office to which payments due are to be made and at which Loans will be disbursed.

Section 12.2.....Expenses. Borrower agrees to pay or reimburse on demand all costs and expenses incurred by the Lender, including, without limitation, the reasonable fees and disbursements of counsel (provided, however, that Borrower shall not be obligated to reimburse Lender for fees of its counsel incurred in the documentation and closing of the Loan in excess of \$15,000 in

total), in connection with the preparation, due diligence, administration, enforcement and termination of this Agreement and each of the other Loan Documents including, without limitation, the costs and expenses of appraisals of the Collateral and of lien searches and costs of inspections and verifications of the Collateral, including, without limitation, standard per diem fees charged by the Lender for travel, lodging, and meals for inspections of the Collateral and Borrower's operations and books and records by Lender or the Lender's agents. The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by Borrower.

Section 12.3.....Stamp and Other Taxes. Borrower will pay any and all stamp, registration, recordation and similar taxes, fees or charges and shall indemnify the Lender against any and all liabilities with respect to or resulting from any delay in the payment or omission to pay any such taxes, fees or charges, which may be payable or determined to be payable in connection with the execution, delivery, performance or enforcement of this Agreement and any of the Loan Documents or the perfection of any rights or security interest thereunder.

Section 12.4.....Setoff. In addition to any rights now or hereafter granted under applicable law, and not by way of limitation of any such rights, upon and after the occurrence of any Default or Event of Default, the Lender is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of Borrower against and on account of the Secured Obligations irrespective of whether or not (a) the Lender shall have made any demand under this Agreement or any of the Loan Documents, or (b) the Lender shall have declared any or all of the Secured Obligations to be due and payable as permitted by Section 11.2 and although such Secured Obligations shall be contingent or unmatured.

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Section 12.5.....Litigation. EACH OF THE LENDER AND BORROWER HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST BORROWER OR THE LENDER ARISING OUT OF THIS AGREEMENT, THE COLLATERAL OR ANY ASSIGNMENT THEREOF OR BY REASON OF ANY OTHER CAUSE OR DISPUTE WHATSOEVER BETWEEN BORROWER AND THE LENDER OF ANY KIND OR NATURE. BORROWER AND THE LENDER HEREBY AGREE THAT, TO THE EXTENT ARBITRATION IS NOT APPLICABLE, THE FEDERAL COURT OF THE EASTERN DISTRICT OF MISSOURI, THE CIRCUIT COURT FOR THE COUNTY OF ST. LOUIS, MISSOURI, OR, AT THE OPTION OF THE LENDER, ANY COURT IN WHICH THE LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY AND WHICH SITS IN A JURISDICTION IN WHICH BORROWER TRANSACTS BUSINESS SHALL HAVE NON-EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN

BORROWER AND THE LENDER, PERTAINING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT OR THE LOAN DOCUMENTS OR TO ANY MATTER ARISING THEREFROM. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN SUCH COURTS, HEREBY WAIVING PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS ISSUED THEREIN AND AGREEING THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH IN SECTION 12.1(b), WHICH SERVICE SHALL BE DEEMED MADE UPON RECEIPT THEREOF. THE NON-EXCLUSIVE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE THE SAME IN ANY APPROPRIATE JURISDICTION.

Section 12.6.....Arbitration. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES, AND ANY OTHER LOAN DOCUMENT AND RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

Section 12.7Special Rules. THE ARBITRATION SHALL BE CONDUCTED IN ST. LOUIS, MISSOURI AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

Section 12.8.....Reservation Of Rights. NOTHING IN THIS ARBITRATION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) LIMIT THE RIGHT OF LENDER HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST REAL ESTATE OF PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. LENDER MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSURE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES

SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

Section 12.9.....Reversal of Payments. To the extent Borrower makes a payment or payments to the Lender or the Lender receives any payment or proceeds of the Collateral for Borrower's benefit, which payment(s) or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, the Lender shall have the continuing and exclusive right to apply, reverse and re apply any and all payments to any portion of the Secured Obligations, and, to the extent of such payment or proceeds received, the Secured Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect, as if such payment or proceeds had not been received by the Lender.

Section 12.10.....Injunctive Relief. Borrower recognizes that, in the event Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lender; therefore, Borrower agrees that the Lender, at the Lender's option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

Section 12.11Accounting Matters. All financial and accounting calculations, measurements and computations made for any purpose relating to this Agreement, including, without limitation, all computations utilized by Borrower to determine whether it is in compliance with any covenant contained herein, shall, unless there is an express written direction or consent by the Lender to the contrary, be performed in accordance with GAAP and on a consolidating basis.

Section 12.12.....Assignment; Participation. All the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights under this Agreement. The Lender may assign to one or more Persons (other than a competitor of Borrower), all or a portion of its rights and obligations hereunder and under the Note and, in connection with any such assignment, may assign its rights and obligations under the Security Documents. The Lender may, in connection with any assignment or proposed assignment, disclose to the assignee or proposed assignee any information relating to Borrower furnished to the Lender by or on behalf of Borrower; provided, however, that such assignee first signs a confidentiality agreement in a form reasonably acceptable to Borrower to the extent necessary to protect Borrower's non-public and proprietary information.

Section 12.13.....Amendments. Any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived and any departure therefrom may be consented to if, but only if, such amendment, waiver or consent is in writing signed by the Lender and, in the case of an

amendment, by Borrower. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

Section 12.14.....Performance of Borrower's Duties. Borrower's obligations under this Agreement and each of the Loan Documents shall be performed by Borrower at its sole cost and expense. If Borrower shall fail to do any act or thing which it has covenanted to do under this Agreement or any of the Loan Documents, the Lender may (but shall not be obligated to) do the same or cause it to be done either in the name of the Lender or in the name and on behalf of Borrower, and Borrower hereby irrevocably authorizes the Lender so to act.

Section 12.15.....Indemnification. Borrower agrees to reimburse the Lender

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for all reasonable costs and expenses, including counsel fees and disbursements, incurred and to indemnify and hold the Lender harmless from and against all losses suffered by the Lender, other than losses resulting from the Lender's gross negligence or willful misconduct, in connection with (a) the exercise by the Lender of any right or remedy granted to it under this Agreement or any of the Loan Documents, (b) any claim, and the prosecution or defense thereof, arising out of or in any way connected with this Agreement or any of the Loan Documents, except in the case of a dispute between Borrower and the Lender in which Borrower prevails in a final unappealed or unappealable judgment, and (c) the collection or enforcement of the Secured Obligations or any of them.

Section 12.16.....All Powers Coupled with Interest. All powers of attorney and other authorizations granted to the Lender and any Persons designated by the Lender pursuant to any provisions of this Agreement or any of the Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Secured Obligations remain unpaid or unsatisfied or the Revolving Credit Facility has not been terminated.

Section 12.17.....Survival. Notwithstanding any termination of this Agreement, (a) until all Secured Obligations have been paid in full and the Loans have been indefeasibly been paid in full, the Lender shall retain its Security Interest and shall retain all rights under this Agreement and each of the Security Documents with respect to the Collateral as fully as though this Agreement had not been terminated, and (b) the indemnities to which the Lender is entitled under the provisions of this Article 12 and any other provision of this Agreement and the Loan Documents shall continue in full force and effect and shall protect the Lender against events arising after such termination as well as before.

Section 12.18.....Severability of Provisions. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the

validity or enforceability of such provision in any other jurisdiction.

Section 12.19.....Governing Law. This Agreement and the Note and the other Loan Documents shall be construed in accordance with and governed by the substantive law of the State of Missouri.

Section 12.20.....Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

Section 12.21.....Not Used.

Section 12.22.....Final Agreement. This Agreement and the other Loan Documents are intended by the parties hereto as the final, complete and exclusive expression of the agreement among them with respect to the subject matter hereof and thereof. This Agreement and the other Loan Documents supersede any and all prior oral or written agreements between the parties hereto relating to the subject matter hereof and thereof.

Section 12.23.....Purchase of Insurance. Unless you, Borrower, provide evidence of the insurance coverage required by your agreement with us, the Lender, we may purchase insurance at your expense to protect our interest in the Collateral. This insurance may, but need not, protect your interests. The coverage that we purchase may not pay any claim that you make or any claim that is made against you in connection with the Collateral. You may later cancel any insurance purchased by us, but only after providing evidence that you have obtained insurance as required by this Agreement. If we purchase insurance for

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the Collateral, you will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges we may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance you may be able to obtain on your own.

Section 12.24 ...Oral Agreements. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT. THE LOAN DOCUMENTS, AS AMENDED, MODIFIED AND SUPPLEMENTED HEREBY, ARE INCORPORATED HEREIN BY THIS REFERENCE AND SHALL BE DEEMED TO CONSTITUTE A PART OF THIS WRITING.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in St. Louis, Missouri by their duly authorized officers in several counterparts all as of the day and year first written above.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

BORROWER:

CENTENNIAL SPECIALTY FOODS CORPORATION

By:

Name:

Title:

STOKES CANNING COMPANY

By:

Name:

Title:

LENDER:

HEARTLAND BANK

By:

Name:

Title:

EXHIBIT "A"

REVOLVING CREDIT NOTE

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\$5,000,000

Date: March __, 2004

FOR VALUE RECEIVED, on _____, 2007, the undersigned Makers jointly and severally promise to pay to the order of Heartland Bank, (hereinafter, together with any holder hereof, called "Holder"), at St. Louis, Missouri (or at such other place as the Holder may designate in writing to the undersigned) the principal amount of \$5,000,000 or so much thereof as has been advanced hereunder.

The undersigned Makers shall pay interest as provided in that certain Loan and Security Agreement between the undersigned and Holder dated of even date herewith (the "Loan Agreement").

It is contemplated that the principal sum evidenced by this Note may be reduced from time to time and that additional advances may be made from time to time, as provided in the Loan Agreement; provided, however, that the outstanding principal amount evidenced by this Note shall not exceed the maximum amount provided in the Loan Agreement.

This Note is subject to the terms and conditions of, and entitled to the benefit of the Collateral described in, the Loan Agreement. Capitalized terms not defined herein shall have the meanings given in the Loan Agreement.

No delay or failure on the part of the Holder in the exercise of any right or remedy hereunder, under the Loan Agreement, the Security Documents or at law or in equity, shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy hereunder, under the Loan Agreement, the Security Documents, or at law or in equity shall preclude or estop another or further exercise thereof or the exercise of any other right or remedy.

Principal and interest on this Note shall be payable and paid in lawful money of the United States of America.

The undersigned and all endorsers waive presentment, notice of dishonor and protest.

Time is of the essence of this Note and, in case this Note is collected by law or through an attorney at law, or under advice therefrom, the undersigned agrees to pay all costs of collection, including reasonable attorneys' fees if collected by or through an attorney.

The provisions of this Note shall be construed and interpreted and all rights and obligations of the parties hereunder determined in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the undersigned Makers have caused this Revolving Credit Note to be executed, sealed and delivered in St. Louis, Missouri, in its corporate name, by and through their respective duly authorized officer, as of the day and year first above written.

CENTENNIAL SPECIALTY FOODS CORPORATION

By: _____
Name: _____
Title: _____

STOKES CANNING COMPANY

By: _____

Name: _____

Title: _____

EXHIBIT B1

INITIAL ADVANCE REQUEST CERTIFICATE

_____, 2004

Heartland Bank
212 South Central Avenue
St. Louis, Missouri 63105
Attn: _____

Re: Request for Advance under Loan and Security Agreement dated as of March ___, 2004 (as amended from time to time, the "Loan Agreement") by and among CENTENNIAL SPECIALTY FOODS CORPORATION and STOKES CANNING COMPANY (the "Borrower"), and HEARTLAND BANK ("Lender"). Capitalized terms used herein and not otherwise defined herein have the meanings set forth in the Loan Agreement.

-----:

The Borrower hereby delivers this Certificate to the Lender and also hereby requests the Lender to arrange for and advance the requested funds to Borrower in accordance with and in reliance upon the following instructions and certifications:

- 1.. Initial Revolving Credit Loan Advance \$_____
- 2. Requested Advance Date

In connection with this Initial Advance Request, Borrower hereby represents and certifies to the Lender as follows, which representations and certifications are true and correct as of the date of this Certificate and will be true and correct as of the Advance Date (unless Borrower otherwise notifies the Lender in writing prior to the Advance Date):

- a. The proceeds of the requested initial Revolving Credit Loan Advance (together, the "Advance") will be used for purposes that are authorized under Section 8.5 of the Loan Agreement and in a manner in compliance with the terms of the Loan Agreement.

- b. The representations and warranties set forth in the Loan Agreement are and will be true and correct in all material respects on and as of the date hereof and as of the Advance Date, and the representations and warranties in each other Loan Document delivered to the Lender pursuant to the Loan Agreement on or prior to this Initial Advance Request and the Advance Date herefor are and will be true and correct in all material respects on and as of the date hereof and as of the Advance Date, except as set forth in the Schedules to the Loan Agreement or in a schedule hereto (which disclosure will not constitute Lender's waiver or acceptance thereof).
- c. No Default or Event of Default under the Loan Agreement and no default under any other Loan Document has occurred and is continuing as of the date hereof or as of the Advance Date or will occur as a result of making the Advance requested hereby, except as set forth in a schedule hereto (which disclosure will not constitute Lender's waiver or acceptance thereof).
- d. All conditions precedent for the type of advance requested hereby under the Loan Agreement, as set forth in Article 4 thereof, have been satisfied and will continue to be satisfied as of the Advance Date.

The Lender is hereby irrevocably authorized and instructed to arrange for and to disburse the proceeds of the requested initial Revolving Credit Loan in accordance with the instructions set forth on Exhibit A annexed hereto.

IN WITNESS WHEREOF, this Initial Advance Request is hereby executed, delivered and effective as of the date first written above.

Very truly yours,

CENTENNIAL SPECIALTY FOODS CORPORATION

By: _____

Name: _____

Title: _____

STOKES CANNING COMPANY

By: _____

Name: _____

Title: -----

Exhibit A
To
Initial Advance Request

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Please wire the amounts set forth below to the indicated payees:

PAYEE	AMOUNT	WIRE INSTRUCTIONS
	\$-----	----- ----- ----- -----
	\$-----	----- ----- ----- -----
	\$-----	----- ----- ----- -----

[Attach Additional Pages, if necessary, to Identify All Wiring Instructions]

EXHIBIT B2

PERIODIC REQUEST FOR ADVANCE

The undersigned Borrower, pursuant to the provisions of that certain Loan and Security Agreement dated effective as of March ____, 2004, (as amended, modified, or supplemented from time to time, the "Loan Agreement") between Borrower and HEARTLAND BANK ("Bank"), hereby certifies that:

1. Borrower hereby requests a loan under the Revolving Credit Facility in the aggregate principal amount of \$ _____ to be made on _____, 200__.
2. All representations and warranties of the Borrower made in the Loan Agreement are true and correct in all material respects as of the date hereof as if made on the date hereof, with and after giving effect to the application of the proceeds of the Loan in connection with which this Request for advance is given.
3. There does not exist and will not exist on the date of the requested Loan both before and after giving effect to the requested Loan a Default or an Event of Default.

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4. All conditions precedent in the Loan Agreement to the funding of the requested Loan have been met.
5. The proceeds of the requested Loan will be used for the purposes set forth in the Loan Agreement.
6. Terms used in this Request for Advance, not otherwise defined or limited herein, are used as defined in the Loan Agreement.

Done and executed on the _____ day of _____, 200__.

CENTENNIAL SPECIALTY FOODS CORPORATION

By: _____
 Name: _____
 Title: _____

STOKES CANNING COMPANY

By: _____
 Name: _____
 Title: _____

EXHIBIT C

CENTENNIAL SPECIALTY FOODS CORPORATION

Credit Facility with HEARTLAND BANK

COMPLIANCE CERTIFICATE FOR CLOSING

This compliance certificate ("Certificate") has been prepared and is being delivered pursuant to the Loan and Security Agreement dated as of March _____, 2004 (as amended from time to time, "Loan Agreement") between CENTENNIAL SPECIALTY FOODS CORPORATION and STOKES CANNING COMPANY (the "Borrower") and HEARTLAND BANK ("Lender"). Capitalized terms and references used herein and not otherwise defined herein have the meanings ascribed to them in the Loan Agreement.

This Certificate is given, accurate and effective as of _____, 2004.

Having reviewed the terms and conditions of the Loan Agreement and having made a review of the transactions and conditions of Borrower as of the effective date of this Certificate, the undersigned duly elected, qualified and acting President or Chief Executive Officer of Borrower HEREBY CERTIFIES to Lender as follows:

1. Fees and Expenses. Borrower has paid (or made acceptable arrangements

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with Lender to pay) all fees, costs, expenses and taxes due and payable under the Loan Agreement.

2. Representations. To the best of my knowledge (after due inquiry), each representation and warranty contained in the Loan Agreement and the other Loan Documents (including the schedules thereto) is true, correct and complete on and as of the date hereof.
3. No Default. To the best of my knowledge (after due inquiry), there is no Default or Event of Default existing on the date hereof (assuming the Loan Agreement is already effective), and no such default will occur as a result of the execution of the Credit Agreement or the funding of the initial Term Loan and advance under the Revolving Credit Facility (collectively, the "Advance") thereunder.
4. No Violations. To the best of my knowledge (after due inquiry), the execution of the Loan Agreement and the funding of the Advance thereunder will not contravene any material law, rule or regulation applicable to Borrower.
5. No Material Change. Between September 30, 2003 (i.e., the "as of" date for the most recent version of Borrower's financial statements delivered to Lender) and the effective date hereof, there has not been any Materially Adverse Change with respect to Borrower.

6. Financial Covenants and Ratios. Without limiting the generality of the foregoing, as of the effective date hereof, Borrower is in compliance with each of the financial and operating covenants and ratios under Article 10 of the Credit Agreement.

Attached hereto as Schedule 1 is a set of detailed calculations supporting this certification regarding each of the financial and operating covenants and ratios under Section 10.1 of the Loan Agreement.

7. Federal Tax Identification. The Federal Tax Identification number of the Borrower is 55-0825751 (Centennial Specialty Foods Corporation) and 84-0677455 (Stokes Canning Company).
8. Satisfaction of Conditions Precedent. Each condition precedent required under Sections 4.1 and 4.2 of the Loan Agreement has been satisfied (or expressly waived by Lender).

I understand that the Lender are relying on the truth and accuracy of the foregoing in connection with its entering into the Loan Agreement and other Loan Documents and consummating the transactions contemplated thereby.

CENTENNIAL SPECIALTY FOODS CORPORATION

By:

Name:

Title:

STOKES CANNING COMPANY

By:

Name:

Title:

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EXHIBIT D

BORROWING BASE CERTIFICATE

This Borrowing Base Certificate is delivered pursuant to Section 7.13(c) of that certain Loan and Security Agreement dated as of March ____, 2004, by and among Centennial Specialty Foods Corporation, a Delaware corporation and Stokes Canning Company, a Colorado corporation (the "Borrowers") and Heartland Bank

("Lender"), as the same may from time to time be amended, modified, extended, renewed or restated (the "Credit Agreement"). All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

Borrowers hereby represent and warrant to the Lender that the following information is true, correct and complete in all material respects as of _____, 20__:

1.	Eligible Accounts of Borrowers.....	\$	-----
2.	75% of Item 1.....	\$	-----
3.	Eligible Inventory of Borrowers.....	\$	-----
4.	50% of Item 3.....	\$	-----
5.	Lesser of (i) \$4,000,000 and (ii) 70% of the current Appraised Value of the Real Estate	\$	-----
6.	Borrowing Base [Sum of Item 2 plus Item 4 plus item 5].....	\$	-----
7.	Total Revolving Credit Facility	\$ 5,000,000	-----
8.	Borrowers' Maximum Revolving Credit Availability (Lesser of Item 6 or Item 7).....	\$	-----
9.	Aggregate principal amount of outstanding Revolving Credit Loans.....	\$	-----
10.	Unused Revolving Credit Availability [Item 8 minus Item 9] [Negative amount requires immediate mandatory repayment]	\$	-----

If Item 10 above is negative, this Certificate is accompanied by the mandatory repayment required by Section 2.3 of the Credit Agreement.

This Borrowing Base Certificate is dated the _____ day of

CENTENNIAL SPECIALTY FOODS CORPORATION

By:

Title:

STOKES CANNING COMPANY

By:

Title:

Schedule to Borrowing Base Certificate

Ineligible Accounts:

a.	Accounts which remain unpaid for more than 90 days after invoice date or more than 60 days after due date	\$ _____
b.	20% Cross Aging	\$ _____
c.	Affiliate Accounts	\$ _____
d.	Conditional Sale, Bill and Hold Accounts	\$ _____
e.	Foreign Accounts	\$ _____
f.	Government Accounts	\$ _____
g.	Offsets or liabilities to Account Debtor	\$ _____
h.	Pre-Billing	\$ _____
i.	Accounts not timely invoiced	\$ _____
j.	Bill and Hold	\$ _____
k.	Cash on Delivery Accounts	\$ _____
l.	Consignment Sales	\$ _____
m.	Other as Agent determines ineligible	\$ _____
n.	Accounts in excess of credit limit	\$ _____

o.	Disputed Accounts	\$ _____
p.	Accounts not subject to perfected security interest	\$ _____
q.	Bankrupt Accounts	\$ _____
r.	Unapplied Cash	\$ _____
s.	TOTAL	\$ _____

CENTENNIAL SPECIALTY FOODS CORPORATION
2004 STOCK INCENTIVE PLAN

This 2004 Stock Incentive Plan of Centennial Specialty Foods Corporation (the "Company") is hereby adopted, pending stockholder approval, as of June 1, 2004.

1. Purposes of the Plan. The purposes of this Plan are:

(a) to attract and retain the best available personnel for positions of substantial responsibility,

(b) to provide additional incentive to selected key Employees, Consultants and Directors, and

(c) to promote the success of the Company's business.

2. Definitions. For the purposes of this Plan, the following terms will have the following meanings:

(a) "ADMINISTRATOR" means the Board or any of its Committees that administer the Plan, in accordance with Section 4.

(b) "APPLICABLE LAWS" means the legal requirements relating to the administration of and issuance of securities under stock incentive plans, including, without limitation, the requirements of state corporations law, federal and state securities law, federal and state tax law, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes and regulations, to the extent reasonably appropriate as determined by the Administrator.

(c) "BOARD" means the Board of Directors of the Company.

(d) "CAUSE" shall have the meaning set forth in a Grantee's employment or consulting agreement with the Company (if any), or if not defined therein, shall mean (i) acts or omissions by the Grantee which constitute intentional material misconduct or a knowing violation of a material policy of the Company or any of its subsidiaries, (ii) the Grantee personally receiving a benefit in money, property or services from the Company or any of its subsidiaries or from another person dealing with the Company or any of its subsidiaries, in material violation of applicable law or Company policy, (iii) an act of fraud, conversion, misappropriation, or embezzlement by the Grantee or his conviction of, or entering a guilty plea or plea of no contest with respect to, a felony, or the equivalent thereof (other than DUI or DWAI), or (iv) any material misuse

or improper disclosure of confidential or proprietary information of the Company.

(e) "CODE" means the Internal Revenue Code of 1986, as amended. For all purposes of this Plan, references to Code sections shall be deemed to include any successor Code sections, to the extent reasonably appropriate as determined by the Administrator.

(f) "COMMITTEE" means a Committee appointed by the Board in accordance with Section 4.

(g) "COMMON STOCK" means the common stock, \$0.0001 par value per share, of the Company.

(h) "COMPANY" means Centennial Specialty Foods Corporation, a Delaware corporation.

(i) "CONSULTANT" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render bona fide services and who is compensated for such services, provided that the term "Consultant" does not include (i) Employees, (ii) Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors or (iii) any

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person who provides services in connection with the offer or sale of securities in a capital-raising transaction, or who directly or indirectly promotes or maintains a market for the securities of the Company.

(j) "CONTINUOUS STATUS AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means that the employment, director or consulting relationship is not interrupted or terminated by the Company, any Parent or Subsidiary, or by the Employee, Director or Consultant. Continuous Status as an Employee, Director or Consultant will not be considered interrupted in the case of: (i) any leave of absence approved by the Board or required by Applicable Law, including sick leave, military leave, or any other personal leave, provided, that for purposes of Incentive Stock Options, any such leave may not exceed 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor, or (iii) in the case of a Nonqualified Stock Option or Stock Award, the ceasing of a person to be an Employee while such person remains a Director or Consultant, the ceasing of a person to be a Director while such person remains an Employee or Consultant, or the ceasing of a person to be a Consultant while such person remains an Employee or Director.

(k) "DIRECTOR" means a member of the Board.

(l) "DISABILITY" means total and permanent disability as defined in

(m) "EMPLOYEE" means any person, including Officers and Directors employed as a common law employee by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient, in and of itself, to constitute "employment" by the Company.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, the National Market System of Nasdaq, the Fair Market Value of a Share of Common Stock will be (A) the closing sales price for such stock (or the closing bid, if no sales are reported) as quoted on that system or exchange (or the system or exchange with the greatest volume of trading in Common Stock) on the last market trading day prior to the day of determination, or (B) any sales price for such stock (or the closing bid, if no sales are reported) as quoted on that system or exchange (or the system or exchange with the greatest volume of trading in Common Stock) on the day of determination, as the Administrator may select, as reported in the Wall Street Journal or any other source the Administrator considers reliable.
- (ii) If the Common Stock is quoted on the Nasdaq System (but not on the Nasdaq National Market System) or is regularly quoted by recognized securities dealers but selling prices are not reported, the Fair Market Value of a Share of Common Stock will be the mean between the high bid and low asked prices for the Common Stock on (A) the last market trading day prior to the day of determination, or (B) the day of determination, as the Administrator may select, as reported in

the Wall Street Journal or any other source the Administrator considers reliable.

- (iii) If the Common Stock is not traded as set forth above, the Fair Market Value will be determined in good faith by the Administrator with reference to the earnings history, book value and prospects of the Company in light of market conditions generally, and any other

factors the Administrator considers appropriate, such determination by the Administrator to be final, conclusive and binding.

(p) "FAMILY MEMBER" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant or employee), a trust in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than fifty percent of the voting interests.

(q) "GRANT NOTICE" shall mean a written notice evidencing certain terms and conditions of an individual Option grant. The Grant Notice is part of the Option Agreement.

(r) "GRANTEE" shall mean (i) any Optionee or (ii) any Employee, Consultant or Director to whom a Stock Award has been granted pursuant to this Plan.

(s) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) "NASDAQ OR NASDAQ" means the National Association of Securities Dealers, Ltd. Automated Quotation System.

(u) "NONQUALIFIED STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(v) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) "OPTION" means a stock option granted under this Plan.

(x) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement is subject to the terms and conditions of this Plan.

(y) "OPTION EXCHANGE PROGRAM" means a program in which outstanding Options are surrendered in exchange for Options with a lower exercise price.

(z) "OPTIONED STOCK" means the Common Stock subject to an Option.

(aa) "OPTIONEE" means an Employee, Consultant or Director who holds an outstanding Option.

(bb) "PARENT" means a "parent corporation" with respect to the Company, whether now or later existing, as defined in Section 424(e) of the Code.

(cc) "PLAN" means this 2004 Stock Option Plan, as may be validly amended or restated from time to time.

(dd) "SECTION" means, except as otherwise specified, a section of this Plan.

(ee) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 15.

(ff) "STOCK AWARD" shall mean a grant or sale by the Company of a specified number of Shares upon terms and conditions determined by the Administrator.

(gg) "SUBSIDIARY" means (i) a "subsidiary corporation" with respect to the Company, whether now or later existing, as defined in Section 424(f) of the Code, or (ii) a limited liability company, whether now or later existing, which would be a "subsidiary corporation" with respect to the Company under Section 424(f) of the Code if it were a corporation.

3. Stock Subject to the Plan. Subject to the provisions of Section 15 of the Plan, the maximum aggregate number of Shares which may be issued under the Plan will be 500,000 Shares of Common Stock. The Shares may be authorized, but unissued or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, or if a Stock Award shall be cancelled or surrendered or expire for any reason without having been received in full, the Shares that were not purchased or received or that were cancelled will become available for future grant or sale under the Plan (unless the Plan has terminated). If the Company repurchases Shares which were issued pursuant to the exercise of an Option or grant of a Stock Award, however, those repurchased Shares will not be available for future grant under the Plan.

4. Administration of the Plan.

(a) Composition of the Administrator. Unless the Board expressly resolves to the contrary, the Plan will be administered only by a Committee, which will then consist solely of persons appointed by the Board, each of whom are:

- (i) "independent, non-employee directors" within the meaning of Rule 16b-3 promulgated under the Exchange Act and in compliance with the Sarbanes-Oxley Act of 2002;
- (ii) "outside directors" within the meaning of Section 162(m) of the Code; and

(iii) meet any requirements of the stock exchange or quotation system upon which the Company's common stock is listed or traded, provided, however, the failure of the Committee to be composed solely of individuals who are both "non-employee directors" and "outside directors" shall not render ineffective or void any awards or grants made by, or other actions taken by, such Committee.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to that Committee, the Administrator will have the authority, in its discretion:

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- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o);
- (ii) to select the Consultants, Employees or Directors to whom Options or Stock Awards may be granted;
- (iii) to determine whether and to what extent Options or Stock Awards are granted, and whether Options are intended as Incentive Stock Options or Nonqualified Stock Options;
- (iv) to determine the number of Shares to be covered by each Option or Stock Award granted;
- (v) to approve forms of Grant Notices, Option Agreements and agreements governing Stock Awards;
- (vi) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any grant of Options or Stock Awards, including, but not limited to, (A) the Options' exercise price, (B) the time or times when Options may be exercised or Stock Awards will be vested, which may be based on performance criteria or other reasonable conditions such as Continuous Status as an Employee, Director or Consultant, (C) any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option, Optioned Stock or Stock Award, based in each case on factors that the Administrator determines in its sole discretion, including but not limited to a requirement subjecting the Optioned Stock or Shares to (1) certain restrictions on transfer (including without limitation

a prohibition on transfer for a specified period of time and/or a right of first refusal in favor of the Company), and (2) a right of repurchase in favor of the Company upon termination of the Grantee's Continuous Status as an Employee, Director or Consultant;

- (vii) to reduce the exercise price of any Option to the Fair Market Value at the time of the reduction, if the Fair Market Value of the Common Stock covered by that Option has declined since the date it was granted;
- (viii) to accelerate the vesting or exercisability of an Option or Stock Award;
- (ix) to determine the terms and restrictions applicable to Options or Stock Awards;
- (x) to modify or amend each Option or Stock Award, subject to Section 17(c);
- (xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

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- (xii) to institute an Option Exchange Program;
- (xiii) to construe and interpret the terms of this Plan;
- (xiv) to prescribe, amend, and rescind rules and regulations relating to the administration of this Plan; and
- (xv) to make all other determinations it considers necessary or advisable for administering this Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all holders of Options or Stock Awards. The Administrator shall not be required to exercise its authority or discretion on a uniform or nondiscriminatory basis.

5. Eligibility. Options granted under this Plan may be Incentive Stock Options or Nonqualified Stock Options, as determined by the Administrator at the time of grant. Nonqualified Stock Options and Stock Awards may be granted to Employees, Consultants and Directors. Incentive Stock Options may be granted only to Employees; provided, however, that Incentive Stock Options shall not be granted to Employees of a Subsidiary that is a limited liability company unless such limited liability company is wholly-owned by the Company or by a Subsidiary that is a corporation. If otherwise eligible, an Employee, Consultant or Director who has been granted an Option or a Stock Award may be granted

additional Options or Stock Awards.

6. Limitations on Grants of Incentive Stock Options. Each Option will be designated in the Grant Notice as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designations, if the Shares subject to an Optionee's Incentive Stock Options (granted under all plans of the Company or any Parent or Subsidiary), which become exercisable for the first time during any calendar year, have a Fair Market Value in excess of \$100,000, the Options accounting for this excess will be treated as Nonqualified Stock Options. Furthermore, if an Option is designated as an Incentive Stock Option but the recipient is not eligible to receive an Incentive Stock Option or the option terms or exercise otherwise disqualify such Option for treatment as an Incentive Stock Option, such Option shall be treated for all purposes as a Nonqualified Stock Option. For purposes of this Section 6, Incentive Stock Options will be taken into account in the order in which they were granted, and the Fair Market Value of the Shares will be determined as of the time of grant.

7. Limit on Annual Grants to Individuals. No Optionee may receive grants, during any fiscal year of the Company or portion thereof, of Options which, in the aggregate, cover more than 150,000 Shares, subject to adjustment as provided in Section 15. If an Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to that expired or terminated Option will continue to count against the maximum numbers of shares for which Options may be granted to an Optionee during any fiscal year of the Company or portion thereof.

8. Term of the Plan. This Plan will become effective upon its approval by the shareholders of the Company as described in Section 21. It will continue in effect through May 31, 2014, ten years from the date of its initial adoption, unless terminated earlier under Section 17. Unless otherwise provided in this Plan, its termination will not affect the validity of any Option or Stock Award outstanding at the date of termination, which shall continue to be governed by the terms of this Plan as though it remained in effect.

9. Term of Option. The term of each Option will be stated in the Option Agreement; provided, however, that in no event may the term be more than ten years from the date of grant. In addition, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company

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or any Parent or Subsidiary, the term of the Incentive Stock Option will be five years from the date of grant or any shorter term specified in the Option Agreement.

10. Option Exercise Price and Consideration.

(a) Exercise Price of Incentive Stock Options. The exercise price for

Shares to be issued pursuant to exercise of an Incentive Stock Option will be determined by the Administrator provided that the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant; provided, further that in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

(b) Exercise Price of Nonqualified Stock Options. In the case of a Nonqualified Stock Option, the exercise price for Shares to be issued pursuant to the exercise of any such Option will be determined by the Administrator, but shall in no event be less than 85% of Fair Market Value per Share.

(c) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions which must be satisfied before the Option may be exercised. Exercise of an Option may be conditioned upon performance criteria or other reasonable conditions such as Continuous Status as an Employee, Director or Consultant.

(d) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist partially or entirely of:

- (i) cash;
- (ii) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which an Option will be exercised;
- (iii) delivery of a properly executed exercise notice together with any other documentation as the Administrator and the Optionee's broker, if applicable, require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price; or

11. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at times and under conditions determined by the Administrator and set forth in the Option Agreement; provided, however, that an Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, (ii) full payment for the Shares with respect to which the Option is exercised, and (iii) all representations,

and documents reasonably requested by the Administrator. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and this Plan. Shares issued upon exercise of an Option will be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. Subject to the provisions of Sections 14, 18, and 19, the Company will issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 15 of this Plan. Notwithstanding the foregoing, the Administrator in its discretion may require the Company to retain possession of any certificate evidencing Shares of Common Stock acquired upon exercise of an Option, if those Shares remain subject to repurchase under the provisions of the Option Agreement or any other agreement between the Company and the Optionee, or if those Shares are collateral for a loan or obligation due to the Company.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of this Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship or Directorship. If an Optionee holds exercisable Options on the date his or her Continuous Status as an Employee, Director or Consultant terminates (other than because of termination due to Cause, death or Disability), the Optionee may exercise the Options that were vested and exercisable as of the date of termination for a period of 90 days following such termination (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of such termination, the Shares covered by the unexercisable portion of the Option will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator. The Administrator may determine in its sole discretion that such unexercisable portion of the Option will become exercisable at such times and on such terms as the Administrator may determine in its sole discretion. If the Optionee does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator.

(c) Disability of Optionee. If an Optionee holds exercisable Options on the date his or her Continuous Status as an Employee, Director or Consultant terminates because of Disability, the Optionee may exercise the Options that

were vested and exercisable as of the date of termination for a period of 12 months following such termination (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of such termination, the Shares covered by the unexercisable portion of the Option will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator. The Administrator may determine in its sole discretion that such unexercisable portion of the Option will become exercisable at such times and on such terms as the Administrator may determine in its sole discretion. If the Optionee does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator.

(d) Death of Optionee. If an Optionee holds exercisable Options on the date his or her death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Options that were vested and exercisable as of the date of death for a period of 12 months following the date of death (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of death, the Shares covered by the unexercisable portion of the Option will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator. The Administrator may determine in its sole discretion that such unexercisable portion of the Option will become exercisable at such times and on

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such terms as the Administrator may determine in its sole discretion. If the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan, unless otherwise set forth in the Option Agreement or determined by the Administrator.

(e) Termination for Cause. If an Optionee's Continuous Status as an Employee, Director or Consultant is terminated for Cause, then all Options (including any vested Options) held by Optionee shall immediately be terminated and cancelled.

(f) Disqualifying Dispositions of Incentive Stock Options. If Common Stock acquired upon exercise of any Incentive Stock Option is disposed of in a disposition that, under Section 422 of the Code, disqualifies the holder from the application of Section 421(a) of the Code, the holder of the Common Stock immediately before the disposition will comply with any requirements imposed by the Company in order to enable the Company to secure the related income tax deduction to which it is entitled in such event.

12. Non-Transferability of Options.

(a) No Transfer. An Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. Notwithstanding the foregoing, to the extent that the Administrator so authorizes at the time a Nonqualified Stock Option is granted or amended, (i) such Option may be assigned pursuant to a qualified domestic relations order as defined by the Code, and exercised by the spouse or former spouse of the Optionee who obtained such Option pursuant to such qualified domestic relations order, or (ii) such Option may be assigned, in whole or in part, during the Optionee's lifetime to one or more Family Members of the Optionee. Rights under the assigned portion may be exercised by the Family Member(s) who acquire a proprietary interest in such Option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Option immediately before such assignment and shall be set forth in such documents issued to the assignee as the Administrator deems appropriate. Any vesting or other criteria that have been imposed by the Administrator on an Option granted to an Optionee shall continue in full force and effect, and shall continue to govern, with respect to any Option assigned to Family Members by an Optionee.

(b) Designation of Beneficiary. An Optionee may file a written designation of a beneficiary who is to receive any Options that remain unexercised in the event of the Optionee's death. If a participant is married and the designated beneficiary is not the spouse, spousal consent will be required for the designation to be effective. The Optionee may change such designation of beneficiary at any time by written notice to the Administrator, subject to the above spousal consent requirement.

(c) Effect of No Designation. If an Optionee dies and there is no beneficiary validly designated and living at the time of the Optionee's death, the Company will deliver such Optionee's Options to the executor or administrator of his or her estate, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Options to the spouse or to any one or more dependents or relatives of the Optionee, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(d) Death of Spouse or Dissolution of Marriage. If an Optionee designates his or her spouse as beneficiary, that designation will be deemed automatically revoked if the Optionee's marriage is later dissolved. Similarly, any designation of a beneficiary will be deemed automatically revoked upon the death of the beneficiary if the beneficiary predeceases the Optionee. Without limiting the generality of the preceding sentence, the interest in Options of a spouse of an Optionee who has predeceased the Optionee or (except as provided in Section 12(a) regarding qualified domestic relations orders) whose marriage has been dissolved will automatically pass to the Optionee, and will not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor will any such interest pass under the laws of intestate succession.

13. Stock Awards.

(a) Grant. Subject to the express provisions and limitations of the Plan, the Administrator, in its sole and absolute discretion, may grant Stock Awards to Employees, Consultants or Directors for a number of shares of Common Stock on such terms and conditions and to such Employees, Consultants or Directors as it deems advisable and specifies in the respective grants. Subject to the limitations and restrictions set forth in the Plan, an Employee, Consultant or Director who has been granted an Option or Stock Award may, if otherwise eligible, be granted additional Options or Stock Awards if the Administrator shall so determine.

(b) Restrictions. The Administrator, in its sole and absolute discretion, may impose restrictions in connection with any Stock Award, including without limitation, (i) imposing a restricted period during which all or a portion of the Common Stock subject to the Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered (the "Restricted Period"), or/and (ii) providing for a vesting schedule with respect to such Common Stock such that if a Grantee ceases to be an Employee, Consultant or Director during the Restricted Period, some or all of the shares of Common Stock subject to the Stock Award shall be immediately forfeited and returned to the Company. The Administrator may, at any time, reduce or terminate the Restricted Period. Each certificate issued in respect of shares of Common Stock pursuant to a Stock Award which is subject to restrictions shall be registered in the name of the Grantee, shall be deposited by the Grantee with the Company together with a stock power endorsed in blank and shall bear an appropriate legend summarizing the restrictions imposed with respect to such shares of Common Stock.

(c) Rights As Shareholder. Subject to the terms of any agreement governing a Stock Award, the Grantee of a Stock Award shall have all the rights of a shareholder with respect to the Common Stock issued pursuant to a Stock Award, including the right to vote such Shares; provided, however, that dividends or distributions paid with respect to any such Shares which have not vested shall be deposited with the Company and shall be subject to forfeiture until the underlying Shares have vested unless otherwise provided by the Administrator in its sole discretion. A Grantee shall not be entitled to interest with respect to the dividends or distributions so deposited.

14. Withholding Taxes. The Company will have the right to take whatever steps the Administrator deems necessary or appropriate to comply with all applicable federal, state, local, and employment tax withholding requirements, and the Company's obligations to deliver Shares upon the exercise of an Option or in connection with a Stock Award will be conditioned upon compliance with all such withholding tax requirements. Without limiting the generality of the foregoing, upon the exercise of an Option, the Company will have the right to withhold taxes from any other compensation or other amounts which it may owe to the Optionee, or to require the Optionee to pay to the Company the amount of any taxes which the Company may be required to withhold with respect to the Shares issued on such exercise. Without limiting the generality of the foregoing, the Administrator in its discretion may authorize the Grantee to satisfy all or part

of any withholding tax liability by (a) having the Company withhold from the Shares which would otherwise be issued in connection with a Stock Award or on the exercise of an Option that number of Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to or less than the amount of the Company's withholding tax liability, or (b) by delivering to the Company previously-owned and unencumbered Shares of the Common Stock having a Fair Market Value, as of the date the withholding tax liability arises, equal to or less than the amount of the Company's withholding tax liability.

15. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, if the outstanding shares of Common Stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company or a successor entity, or for other property (including without limitation, cash), through reorganization, recapitalization, reclassification, stock

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combination, stock dividend, stock split, reverse stock split, spin off or other similar transaction, an appropriate and proportionate adjustment will be made in the maximum number and kind of shares as to which Options and Stock Awards may be granted under this Plan. A corresponding adjustment changing the number or kind of shares allocated to Stock Awards or unexercised Options which have been granted prior to any such change will likewise be made. Any such adjustment in the outstanding Options will be made without change in the aggregate purchase price applicable to the unexercised portion of the Options but with a corresponding adjustment in the price for each share or other unit of any security covered by the Option. Such adjustment will be made by the Administrator, whose determination in that respect will be final, binding, and conclusive.

Where an adjustment under this Section 15(a) is made to an Incentive Stock Option, the adjustment will be made in a manner which will not be considered a "modification" under the provisions of subsection 424(h)(3) of the Code.

Any conversion of outstanding Preferred Stock of the Company into Common Stock of the Company at any time while this Plan is in effect shall require no such adjustment under this Section 15(a).

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option had not been previously exercised or a Stock Award had not previously vested, it will terminate immediately prior to the consummation of such proposed dissolution or liquidation. In such instance, the Administrator may, in the exercise of its sole discretion, declare that any Stock Award shall become vested or any Option will terminate as of a date fixed by the Administrator and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned

Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Corporate Transaction. Upon the happening of a merger, reorganization or sale of substantially all of the assets of the Company, the Administrator, may, in its sole discretion, do one or more of the following: (i) shorten the period during which Options are exercisable (provided they remain exercisable for at least 30 days after the date notice of such shortening is given to the Optionees); (ii) accelerate any vesting schedule to which an Option or Stock Award is subject; (iii) arrange to have the surviving or successor entity or any parent entity thereof assume the Stock Awards and the Options or grant replacement options with appropriate adjustments in the option prices and adjustments in the number and kind of securities issuable upon exercise or adjustments so that the Options or their replacements represent the right to purchase the shares of stock, securities or other property (including cash) as may be issuable or payable as a result of such transaction with respect to or in exchange for the number of Shares of Common Stock purchasable and receivable upon exercise of the Options had such exercise occurred in full prior to such transaction; or (iv) cancel Options or Stock Awards upon payment to the Optionees or Grantees in cash, with respect to each Option or Stock Award to the extent then exercisable or vested (including, if applicable, any Options or Stock Awards as to which the vesting schedule has been accelerated as contemplated in clause (ii) above), of an amount that is the equivalent of the excess of the Fair Market Value of the Common Stock (at the effective time of the merger, reorganization, sale or other event) over (in the case of Options) the exercise price of the Option. The Administrator may also provide for one or more of the foregoing alternatives in any particular Option Agreement or agreement governing a Stock Award.

16. Date of Grant. The date of grant of an Option or Stock Award will be, for all purposes, the date as of which the Administrator makes the determination granting such Option or Stock Award, or any other, later date determined by the Administrator and specified in the Option Agreement. Notice of the determination will be provided to each Grantee within a reasonable time after the date of grant.

17. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter or suspend or terminate the Plan.

(b) Shareholder Approval. The Company will obtain shareholder approval of any Plan amendment that increases the number of Shares for which Options or Stock Awards may be granted, or to the extent necessary and desirable to comply with Section 422 of the Code (or any successor statute) or other Applicable Laws, or the requirements of any exchange or quotation system on which the Common Stock is listed or quoted. Such shareholder approval, if required, will be obtained in such a manner and to such a degree as is required by the

Applicable Law or requirement.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan, including the amendments and restatement effected hereby, will impair the rights of a Grantee, unless mutually agreed otherwise between the Grantee and the Administrator. Any such agreement must be in writing and signed by the Grantee and the Company.

18. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued in connection with a Stock Award or pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares will comply with all Applicable Laws, and will be further subject to the approval of counsel for the Company with respect to such compliance. Any securities delivered under the Plan will be subject to such restrictions, and the person acquiring such securities will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all Applicable Laws. To the extent permitted by Applicable Laws, the Plan and Options and Stock Awards granted hereunder will be deemed amended to the extent necessary to conform to such laws, rules and regulations.

(b) Investment Representation. As a condition to the exercise of an Option or grant of a Stock Award, the Company may require the person exercising such Option or receiving such Stock Award to represent and warrant at the time of any such exercise or receipt that the Shares are being acquired only for investment and without any present intention to sell, transfer, or distribute such Shares.

19. Liability of Company.

(a) Inability to Obtain Authority. If the Company cannot, by the exercise of commercially reasonable efforts, obtain authority from any regulatory body having jurisdiction for the sale of any Shares under this Plan, and such authority is deemed by the Company's counsel to be necessary to the lawful issuance of those Shares, the Company will be relieved of any liability for failing to issue or sell those Shares.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option or Shares subject to a Stock Award exceed, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, that Option or Stock Award will be contingent with respect to such excess Shares, unless and until shareholder approval of an amendment sufficiently increasing the number of Shares subject to this Plan is timely obtained in accordance with Section 17(b).

(c) Rights of Participants and Beneficiaries. The Company will pay all amounts payable under this Plan only to the Grantee, or beneficiaries entitled thereto pursuant to this Plan. The Company will not be liable for the debts, contracts, or engagements of any Grantee or his or her beneficiaries, and rights to cash payments under this Plan may not be taken in execution by attachment or garnishment, or by any other legal or equitable proceeding while in the hands of

the Company.

20. Reservation of Shares. The Company will at all times reserve and keep available for issuance a number of Shares sufficient to satisfy this Plan's requirements during its term.

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21. Shareholder Approval. This Plan is subject to approval by the shareholders of the Company within 12 months before or after the date of its adoption. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws.

22. Legending Stock Certificates. In order to enforce any restrictions imposed upon Common Stock issued in connection with a Stock Award or upon exercise of an Option granted under this Plan or to which such Common Stock may be subject, the Administrator may cause a legend or legends to be placed on any certificates representing such Common Stock, which legend or legends will make appropriate reference to such restrictions, including, but not limited to, a restriction against sale of such Common Stock for any period of time as may be required by Applicable Laws. Additionally, and not by way of limitation, the Administrator may impose such restrictions on any Common Stock issued pursuant to the Plan as it may deem advisable.

23. No Employment Rights. Neither this Plan nor any Option or Stock Award will confer upon a Grantee any right with respect to continuing the Grantee's employment or consulting relationship with the Company, or continuing service as a Director, nor will they interfere in any way with the Grantee's right or the Company's right to terminate such employment or consulting relationship or directorship at any time, with or without cause.

24. Governing Law. The Plan will be governed by, and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of law principles.

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CERTIFICATION

I, Jeffrey R. Nieder, certify that:

1. I have reviewed this report on Form 10-QSB of Centennial Specialty Foods Corporation;

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) 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)) for the small business issuer 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 small business issuer, 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) Omitted
- (c) Evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have

disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information and have identified for the small business issuer's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: August 16, 2004

/s/ JEFFREY R. NIEDER

Jeffrey R. Nieder

Title: Chief Executive Officer

CERTIFICATION

I, Douglas L. Evans, certify that:

1. I have reviewed this report on Form 10-QSB of Centennial Specialty Foods Corporation;

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Omitted
- (c) Evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have

disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information and have identified for the small business issuer's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: August 16, 2004

/s/ DOUGLAS L. EVANS

Douglas L. Evans

Title: Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Centennial Specialty Foods Corporation (the "Company") on Form 10-QSB for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey R. Nieder, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ JEFFREY R. NIEDER

Jeffrey R. Nieder
Chief Executive Officer

Dated: August 16, 2004

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Centennial Specialty Foods Corporation (the "Company") on Form 10-QSB for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas L. Evans, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ DOUGLAS L. EVANS

Douglas L. Evans
Chief Financial Officer

Dated: August 16, 2004