

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED SEPTEMBER 26, 2009

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

Commission File No. 0-14616

J & J SNACK FOODS CORP.

(Exact name of registrant as specified in its charter)

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

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

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

08109
(Zip Code)

Registrant's telephone number, including area code: (856) 665-9533

Securities Registered Pursuant to Section 12(b) of the Act: Common Stock, no par value

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of December 4, 2009, the latest practicable date, 18,392,045 shares of the Registrant's common stock were issued and outstanding. The aggregate market value of shares held by non-affiliates of the Registrant on such date was \$497,864,393 based on the last sale price on March 27, 2009 of \$34.95 per share. March 27, 2009 was the last business day of the registrant's most recently completed second fiscal quarter.

DOCUMENTS INCORPORATED BY REFERENCE



STANDING STRONG*** EVEN STRONGER

2009 ANNUAL REPORT



professional SUCCESS *worthy* PROUD
intelligent BOLD *inspire*
courageous bright active
deliver keen able resourceful
determined devoted dignity
ACHIEVE sharp respectable
aggressive creative persistent
RELIABLE *perceptive* ambition authentic
productive quality INVENTIVE *meritable*
ADEPT attentive dynamic INTEGRITY
enthusiastic desire KNOWLEDGE *diligent*
PASSIONATE *fun* talented secure growing
true enlightened stable rigorous
IMAGINE *possibilities* fullfill leadership



★ ★ ★ PROFILE ★ ★ ★

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

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

The Company's growth is the result of a strategy that emphasizes active development of new and innovative products, penetration into existing market channels and expansion of established products into new markets. Our four business groups are Food Service, Frozen Beverages, Retail Supermarket, and The Restaurant Group. Each contributed to our 38th consecutive year of record sales in fiscal 2009.

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

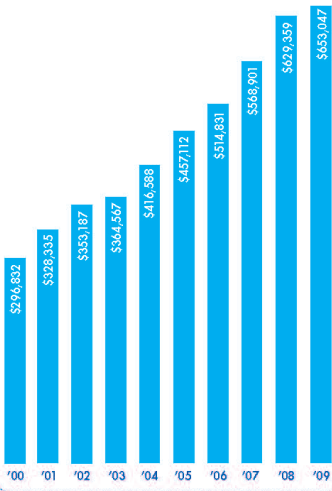
★ ★ ★ HIGHLIGHTS ★ ★ ★

Fiscal year ended in September

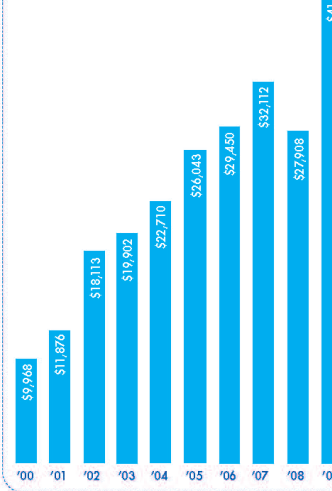
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
(In thousands except per share data)										
Net Sales	\$ 653,047	\$ 629,359	\$ 568,901	\$ 514,831	\$ 457,112	\$ 416,588	\$ 364,567	\$ 353,187	\$ 328,335	\$ 296,832
Net Earnings	\$ 41,312	\$ 27,908	\$ 32,112	\$ 29,450	\$ 26,043	\$ 22,710	\$ 19,902	\$ 18,113	\$ 11,876	\$ 9,968
Total Assets	\$ 439,827	\$ 408,408	\$ 380,288	\$ 340,808	\$ 305,924	\$ 277,424	\$ 239,478	\$ 220,036	\$ 224,481	\$ 220,039
Long-Term Debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28,368	\$ 42,481
Capital Leases	\$ 381	\$ 474	\$ 565	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Stockholders' Equity	\$ 342,844	\$ 316,778	\$ 295,582	\$ 263,656	\$ 234,762	\$ 210,096	\$ 182,564	\$ 168,709	\$ 146,143	\$ 133,274
Common Share Data										
EPS-Diluted	\$ 2.21	\$ 1.47	\$ 1.69	\$ 1.57	\$ 1.40	\$ 1.24	\$ 1.10	\$ 1.00	\$.68	\$.55
EPS-Basic	\$ 2.23	\$ 1.49	\$ 1.72	\$ 1.60	\$ 1.43	\$ 1.27	\$ 1.13	\$ 1.04	\$.70	\$.56
Book Value/Share	\$ 18.51	\$ 16.90	\$ 15.80	\$ 14.28	\$ 12.85	\$ 11.67	\$ 10.43	\$ 9.48	\$ 8.46	\$ 7.82
Shares Outstanding	18,526	18,748	18,702	18,468	18,272	18,012	17,514	17,806	17,272	17,044
Dividends/Share	\$.39	\$.37	\$.34	\$.30	\$.25	\$ —	\$ —	\$ —	\$ —	\$ —

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

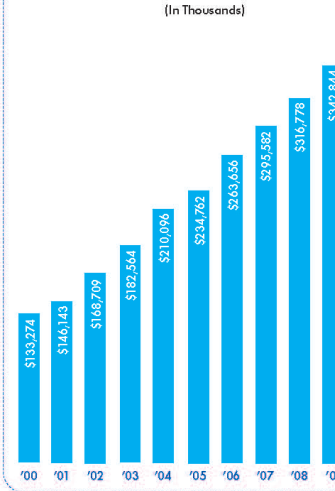
★ ★ ★ NET SALES (In Thousands)



★ ★ ★ NET EARNINGS (In Thousands)



★ ★ ★ STOCKHOLDERS' EQUITY (In Thousands)



TOUGH capable INTENSE vigorous
unique motivated leadership BOLD
admirable dedication distinct
PRESIDENT'S letter
★ ★ ★ ★ ★



To our Shareholders and Friends:

Standing Strong - Even Stronger...

Last year we paid tribute to our flag, waving proudly over our plants, and the pride we feel being part of the American Dream. Our Company was "Standing Strong" during the economic uncertainty and turmoil impacting our nation and its business sector.

This past fiscal year we stood even stronger. Our pride in our country, our people, and our Company is . . . even stronger.

2009 Financial Results in Brief...

- Sales grew 4% to \$653.0 million
- Net income soared 48% to \$41.3 million
- Earnings per share (EPS) jumped 50% to \$2.21 per share
- Operating income increased 54% to \$66.9 million

Rare like an eagle, a symbol of America

For the 38th year in a row, since our inception, we achieved record sales. For the 38th consecutive year we delivered profitability, including record profits in 2009.

Our company's achievements over nearly four decades are as rare as one in a million... as rare as hitting the lottery...as rare as...as rare as "the American Eagle", once endangered and protected and now standing strong as the symbol of America.

I am reminded of a quote attributed to H. Ross Perot from the book "On Wings of Eagles", by Ken Follett, "Eagles don't flock. They have to be found one at a time." We are the American business dream . . . a company of eagles . . . found one at a time . . . standing strong . . . even stronger.

Strong in more ways...

Through organic growth, strategic acquisitions, expanded product offerings and innovations, we transformed our business from a small start-up company to a diversified, major player in the niche snack food and frozen beverage industry. Our core products including SUPERPRETZEL, ICEE frozen beverages, churros, frozen juice bars and desserts continue to grow and expand their markets. And recent product innovations and benefits from "eagle-eyed" acquisitions contributed significantly to last years record performance.

STRONG WITH MORE PRODUCTS...

New product offerings like Funnel Cake Fries, Benefit Reduced-Fat Cookies and Whole Fruit frozen desserts and novelties are being well received. Daddy Rays fig and fruit bars helped our Company expand in the rapidly growing dollar store channel. Our food service and retail supermarket groups put together banner years.

Country Home Bakers significantly improved in its role as both a branded and private label cookie, bread and biscuit provider and contributed strongly to our overall performance this past year.

The ICEE Company, including ICEE, ARCTIC BLAST, and SLUSH PUPPIE had its best overall year ever and the integration of the SLUSH PUPPIE product line is now complete.

STRONG WITH PEOPLE AND PERFORMANCE...

We continue to invest in our businesses and seek selective "well fitting" acquisitions. We remain debt free . . . yes **no debt** . . . debt free. And we have been returning a dividend to our shareholders for five years without interruption.

Spoiled by our standards, but not our successes, we are and will continue to remain conservative with our discipline while liberal with our thinking. Our Research and Development, Marketing, and Manufacturing Teams have been strengthened.

Last year I closed my message with "Our Company, born of ashes and dusted by destiny, represents all of what is right in this country. This tiny eight employee company that was purchased out of bankruptcy in 1971 found niches, gathered special people and niche products and mixed them together carefully with the passion and pride that is the essence of the American Dream. What a great country."

No way can I improve on that sentiment.

Together we stand strong...even stronger!

We thank all of our employees, customers and partners who have helped us achieve this success.

Sincerely,



Gerald B. Shreiber
President and Chairman
December 1, 2009



accomplish CARING *generous*
STRIVE *competitive* thankful
tenacious envision INFLUENTIAL

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J & J SNACK FOODS CORP. 2009 FORM 10-K ANNUAL REPORT

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

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PART I

Item 1. Business

General

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

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

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

The Company made no material acquisitions in fiscal year 2009 but has made material acquisitions in prior years as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto.

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

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

Food Service

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

Retail Supermarkets

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

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

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

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The Restaurant Group

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

Frozen Beverages

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

Products

Soft Pretzels

The Company's soft pretzels are sold under many brand names; some of which are: SUPERPRETZEL, PRETZEL FILLERS, PRETZELFILS, GOURMET TWISTS, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, SOFT PRETZEL BUNS, HOT KNOTS, DUTCH TWIST, TEXAS TWIST, SANDWICH TWIST, CINNAPRETZEL* and SERIOUSLY TWISTED!; and, to a lesser extent, under private labels. Soft pretzels are sold in the Food Service, Retail Supermarket and The Restaurant Group segments. Soft pretzel sales amounted to 20% of the Company's revenue in fiscal year 2009, 20% in 2008, and 22% in 2007.

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

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

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

Frozen Juice Treats and Desserts

The Company's frozen juice treats and desserts are marketed primarily under the LUIGI'S, FRUIT-A-FREEZE, WHOLE FRUIT, ICEE, BARQ'S and MINUTE MAID brand names. Frozen juice treats and desserts are sold in the Food Service and Retail Supermarkets segments. Frozen juice treats and dessert sales were 13% of the Company's revenue in 2009, 13% in fiscal year 2008 and 14% in 2007.

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

The balance of the Company's frozen juice treats and desserts products are manufactured from water, sweeteners and fruit juice concentrates in various flavors and packaging including cups, tubes, sticks, M-paks, pints and tubs. Several of the products contain ice cream and FRUIT-A-FREEZE and WHOLE FRUIT contain pieces of fruit.

* CINNAPRETZEL is a registered trademark of Cinnabon, Inc.

Churros

The Company's churros are sold primarily under the LA CHURROS and TIO PEPE'S brand names. Churros are sold to the Food Service and Retail Supermarkets segments. Churro sales were 5% of the Company's sales in fiscal year 2009, 4% in 2008 and 4% in 2007. Churros are Hispanic pastries in stick form which the Company produces in several sizes according to a proprietary formula. The churros are deep fried, frozen and packaged. At food service point-of-sale they are reheated and topped with a cinnamon sugar mixture. The Company also sells fruit and cr me-filled churros. The Company supplies churro merchandising equipment similar to that used for its soft pretzels.

Bakery Products

The Company's bakery products are marketed under the MRS. GOODCOOKIE, CAMDEN CREEK BAKERY, READI-BAKE, COUNTRY HOME, MARY B'S, DADDY RAY'S and PRETZEL COOKIE brand names, and under private labels. Bakery products include primarily biscuits, fig and fruit bars, cookies, muffins and donuts. In 2007, biscuits and dumplings under the MARY B'S name and fruit and fig bars, under the DADDY RAY'S name, were added through acquisitions. Bakery products are sold to the Food Service segment. Bakery products sales amounted to 35% of the Company's sales in fiscal year 2009, 35% in 2008 and 32% in 2007.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada. Additional frozen beverages are JAVA FREEZE and CALIFORNIA NATURAL. Frozen beverages are sold in The Restaurant Group and Frozen Beverages segments. Frozen beverage sales amounted to 17% of revenue in fiscal 2009, 18% in 2008 and 19% in 2007.

Under the Company's principal marketing program for frozen carbonated beverages, it installs frozen beverage dispensers for its ICEE and ARCTIC BLAST brands at customer locations and thereafter services the machines, arranges to supply customers with ingredients required for production of the frozen beverages, and supports customer retail sales efforts with in-store promotions and point-of-sale materials. In most cases, the Company retains ownership of its dispensers, and as a result, customers are not required to make an investment in equipment or arrange for the ingredients and supplies necessary to produce and market the frozen beverages. The Company also provides managed service and sells equipment in its Frozen Beverages segment, revenue from which amounted to 9% of sales in 2009, 9% of sales in 2008 and 8% of the Company's sales in fiscal year 2007. The Company sells frozen uncarbonated beverages under the SLUSH PUPPIE brand through a distributor network.

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

The Company provides managed service and/or products to approximately 87,000 Company-owned and customer-owned dispensers.

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

Other Products

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

Customers

The Company sells its products to two principal customer groups: food service and retail supermarkets. The primary products sold to the food service group are soft pretzels, frozen beverages, frozen juice treats and desserts, churros and baked goods. The primary products sold to the retail supermarket industry are soft pretzels and frozen

juice treats and desserts. Additionally, the Company sells soft pretzels, frozen beverages and various other food products direct to the public through its restaurant group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 42% and 42% of our sales during fiscal years 2009, 2008 and 2007, respectively, with our largest customer accounting for 9% of our sales in 2009, 9% in 2008 and 8% in 2007. Three of the ten customers are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

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

The Company's customers in the food service segment include snack bars and food stands in chain, department and mass merchandising stores, malls and shopping centers, fast food outlets, stadiums and sports arenas, leisure and theme parks, convenience stores, movie theatres, warehouse club stores, schools, colleges and other institutions, and independent retailers. Machines and machine parts are sold to other food and beverage companies. Within the food service industry, the Company's products are purchased by the consumer primarily for consumption at the point-of-sale.

The Company sells its products to an estimated 85-90% of supermarkets in the United States. Products sold to retail supermarket customers are primarily soft pretzel products, including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars, WHOLE FRUIT Sorbet, MARY B'S biscuits and dumplings, DADDY RAY'S fig and fruit bars, BARQ'S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, the Company's frozen and prepackaged products are purchased by the consumer for consumption at home.

Marketing and Distribution

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

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

The Company's products are sold through a network of about 200 food brokers and over 1,000 independent sales distributors and the Company's own direct sales force. For its snack food products, the Company maintains warehouse and distribution facilities in Pennsauken, Bellmawr and Bridgeport, New Jersey; Vernon (Los Angeles), California; Scranton, Pittsburgh, Hatfield and Lancaster, Pennsylvania; Carrollton (Dallas), Texas; Atlanta, Georgia; Moscow Mills (St. Louis), Missouri; Pensacola, Florida; and Solon, Ohio. Frozen beverages are distributed from 128 Company managed warehouse and distribution facilities located in 44 states, Mexico and Canada, which allow the Company to directly service its customers in the surrounding areas. The Company's products are shipped in refrigerated and other vehicles from the Company's manufacturing and warehouse facilities on a fleet of Company operated tractor-trailers, trucks and vans, as well as by independent carriers.

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Seasonality

The Company's sales are seasonal because frozen beverage sales and frozen juice treats and desserts sales are generally higher during the warmer months.

Trademarks and Patents

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

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

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

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

Supplies

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

Competition

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

The Company believes it is the only national distributor of soft pretzels. However, there are numerous regional and local manufacturers of food service and retail supermarket soft pretzels as well as several chains of retail pretzel stores.

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

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

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

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Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Sales of our foreign operations were \$11,658,000, \$11,078,000 and \$9,785,000 in fiscal years 2009, 2008 and 2007, respectively. At September 26, 2009, the total assets of our foreign operations were approximately \$8.5 million or 2% of total assets.

Employees

The Company has approximately 2,700 full- and part- time employees as of September 26, 2009. Certain production and distribution employees at the Pennsauken and Bridgeport, New Jersey plants are covered by a collective bargaining agreement which expires in September 2013.

The production employees at our Atlanta, Georgia plant are covered by a collective bargaining agreement which expires in January 2011. The Company considers its employee relations to be good.

Available Information

The Company's internet address is www.jjsnack.com. On the investor relations section of its website, the Company provides free access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The information on the website listed above is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document.

Item 1A. Risk Factors

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

Risks of Shortages or Increased Cost of Raw Materials

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

General Risks of the Food Industry

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

Environmental Risks

The disposal of solid and liquid waste material resulting from the preparation and processing of foods are subject to various federal, state and local laws and regulations relating to the protection of the environment. Such

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laws and regulations have an important effect on the food processing industry as a whole, requiring substantially all firms in the industry to incur material expenditures for modification of existing processing facilities and for construction of upgraded or new waste treatment facilities.

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

Risks Resulting from Several Large Customers

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 42% and 42% of our sales during fiscal years 2009, 2008 and 2007, respectively, with our largest customer accounting for 9% of our sales in 2009, 9% in 2008 and 8% in 2007. Three of the ten customers are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

Competition

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

Risks Relating to Manufacturing

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

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

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

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

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Risks Relating to the Control by Gerald B. Shreiber

Gerald B. Shreiber is the founder of the Company and the current beneficial owner of 22% of its outstanding stock. Our Certificate of Incorporation provides that he has three votes on the Board of Directors (subject to certain adjustments). Therefore, he and one other director have voting control of the Board. The performance of this Company is greatly impacted by his leadership and decisions. His voting control reduces the restrictions on his actions. His retirement, disability or death will have a significant impact on our future operations.

Risk Related to Product Changes

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

Risks Related to Change in the Business

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

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were \$11,658,000, \$11,078,000, and \$9,785,000 in fiscal years 2009, 2008 and 2007, respectively. At September 26, 2009, the total assets of our foreign operations were approximately \$8.5 million or 2% of total assets.

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

Item 1B. Unresolved Staff Comments

We have no unresolved SEC staff comments to report.

Item 2. Properties

The Company's primary east coast manufacturing facility is located in Pennsauken, New Jersey in a 70,000 square foot building on a two-acre lot. Soft pretzels are manufactured at this Company-owned facility which also serves as the Company's corporate headquarters. This facility operates at approximately 65% of capacity. The Company leases a 101,200 square foot building adjacent to its manufacturing facility in Pennsauken, New Jersey through March 2022. The Company has constructed a large freezer within this facility for warehousing and distribution purposes. The warehouse has a utilization rate of 80-90% depending on product demand. The Company also leases, through January 2022, 16,000 square feet of office and warehouse space located next to the Pennsauken, New Jersey plant. The Company leases through January 2011 an additional 23,000 square feet of warehouse space several blocks distant from these facilities.

The Company owns a 150,000 square foot building on eight acres in Bellmawr, New Jersey. The facility is used by the Company to manufacture some of its products including funnel cake, pretzels, churros and cookies. The facility operates at about 85% of capacity.

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The Company's primary west coast manufacturing facility is located in Vernon (Los Angeles), California. It consists of a 137,000 square foot facility in which soft pretzels, churros and various lines of baked goods are produced and warehoused. Included in the 137,000 square foot facility is a 30,000 square foot freezer used for warehousing and distribution purposes which was constructed in 1996. The facility is leased through November 2017. The Company leases an additional 45,000 square feet of office and warehouse space, adjacent to its manufacturing facility, through November 2017. The manufacturing facility operates at approximately 55% of capacity.

The Company leases through November 2017 a 25,000 square foot frozen juice treat and dessert manufacturing facility located in Norwalk (Los Angeles), California which operates at approximately 50% of capacity.

The Company leases an 85,000 square foot bakery manufacturing facility located in Atlanta, Georgia. The lease runs through December 2010. The facility operates at about 55% of capacity.

The Company owns a 46,000 square foot frozen juice treat and dessert manufacturing facility and a 42,000 square foot dry storage warehouse located on six acres in Scranton, Pennsylvania. The manufacturing facility, which was expanded from 26,000 square feet in 1998, operates at approximately 60% of capacity.

The Company leases a 29,600 square foot soft pretzel manufacturing facility located in Hatfield, Pennsylvania. The lease runs through June 2017. The facility operates at approximately 60% of capacity.

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

The Company leases an 18,000 square foot soft pretzel manufacturing facility located in Chambersburg, Pennsylvania. The lease runs through September 2010 with options to extend the term. The facility operates at approximately 50% of capacity.

The Company's fresh bakery products manufacturing facility and offices are located in Bridgeport, New Jersey in three buildings totaling 133,000 square feet. The buildings are leased through December 2015. The manufacturing facility operates at approximately 45% of capacity.

The Company owns a 65,000 square foot fig and fruit bar manufacturing facility located on 9-1/2 acres in Moscow Mills (St. Louis), Missouri. The facility operates at about 65% of capacity.

The Company leases a building in Pensacola, Florida for the manufacturing, packing and warehousing of dumplings. The building is approximately 14,000 square feet and the lease runs through December 2010. The manufacturing facility operates at approximately 75% of capacity.

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

The Company also leases approximately 134 warehouse and distribution facilities in 44 states, Mexico and Canada.

Item 3. Legal Proceedings

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

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

There were no matters submitted to a vote of the security holders during the quarter ended September 26, 2009.

[Table of Contents](#)**PART II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "JJSE." The following table sets forth the high and low sale price quotations as reported by NASDAQ and dividend information for the common stock for each quarter of the years ended September 27, 2008 and September 26, 2009.

Common Stock Market Price

	<u>High</u>	<u>Low</u>	<u>Declared Dividend</u>
<u>Fiscal 2008</u>			
First quarter	\$38.76	\$29.01	\$.0925
Second quarter	31.85	23.38	.0925
Third quarter	29.97	26.74	.0925
Fourth quarter	36.07	27.00	.0925
<u>Fiscal 2009</u>			
First quarter	\$34.50	\$24.07	\$.0975
Second quarter	36.57	30.12	.0975
Third quarter	40.14	32.10	.0975
Fourth quarter	44.75	35.17	.0975

As of November 20, 2009, there were about 6,000 beneficial shareholders.

In our fiscal year ended September 26, 2009, we purchased and retired 450,597 shares of our common stock at a cost of \$12,510,000 under a million share buyback authorization approved by the Company's Board of Directors in February 2008. No shares were repurchased in the fourth quarter of the year. Of the shares purchased and retired in 2009, 400,000 shares were purchased at the purchase price of \$27.90 per share from Gerald B. Shreiber, Chairman of the Board, Chief Executive Officer and Director of the Company.

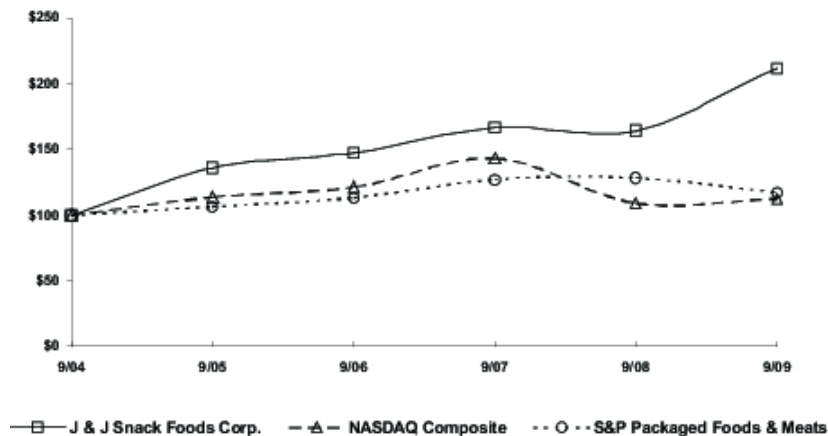
In our 2008 fiscal year ended September 27, 2008, we purchased and retired 135,124 shares of our common stock at a cost of \$3,539,000. The Company did not repurchase any of its common stock in fiscal year 2007.

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

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COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among J & J Snack Foods Corp., The NASDAQ Composite Index
And The S&P Packaged Foods & Meats Index



*\$100 invested on 9/30/04 in stock or index, including reinvestment of dividends.
Fiscal year ending September 30.

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Item 6. Selected Financial Data

The selected financial data for the last five years was derived from our audited consolidated financial statements. The following selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto, especially as the information pertains to fiscal 2007, 2008 and 2009.

	Fiscal year ended in September (In thousands except per share data)				
	2009	2008	2007	2006	2005
Net Sales	\$653,047	\$629,359	\$568,901	\$514,831	\$457,112
Net Earnings	\$ 41,312	\$ 27,908	\$ 32,112	\$ 29,450	\$ 26,043
Total Assets	\$439,827	\$408,408	\$380,288	\$340,808	\$305,924
Long-Term Debt	\$ —	\$ —	\$ —	\$ —	\$ —
Capital Lease Obligations	\$ 381	\$ 474	\$ 565	\$ —	\$ —
Stockholders’ Equity	\$342,844	\$316,778	\$295,582	\$263,656	\$234,762
Common Share Data					
Earnings Per Diluted Share	\$ 2.21	\$ 1.47	\$ 1.69	\$ 1.57	\$ 1.40
Earnings Per Basic Share	\$ 2.23	\$ 1.49	\$ 1.72	\$ 1.60	\$ 1.43
Book Value Per Share	\$ 18.51	\$ 16.90	\$ 15.80	\$ 14.28	\$ 12.85
Common Shares Outstanding At Year End	18,526	18,748	18,702	18,468	18,272
Cash Dividends Declared Per Common Share	\$.39	\$.37	\$.34	\$.30	\$.25

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

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

Critical Accounting Policies, Judgments and Estimates

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

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

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

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

Revenue Recognition — We recognize revenue from our products when the products are shipped to our customers and when equipment service is performed for our customers who are charged on a time and material basis. We also sell equipment service contracts with terms of coverage ranging between 12 and 60 months. We record deferred income on equipment service contracts which is amortized by the straight-line method over the term of the contracts. Revenue is recognized only where persuasive evidence of an arrangement exists, our price is fixed or determinable and collectability is reasonably assured. We record offsets to revenue for allowances, end-user pricing adjustments, trade spending, coupon redemption costs and returned product. Customers generally do not have the right to return product unless it is damaged or defective. Off-invoice allowances are deducted directly from the amount invoiced to our customer when our products are shipped to the customer. Offsets to revenue for allowances, end-user pricing adjustments and trade spending are recorded primarily as a reduction of accounts receivable based on our estimates of liability which are based on customer programs and historical experience. These offsets to revenue are based primarily on the quantity of product purchased over specific time periods. For our Retail Supermarket and Frozen Beverages segments, we accrue for the liability based on products sold multiplied by per product offsets. Offsets to revenue for our Food Service segment are calculated in a similar manner for offsets owed to our direct customers; however, because shipments to end-users are unknown to us until reported by our direct customers or by the end-users, there is a greater degree of uncertainty as to the accuracy of the amounts accrued for end-user offsets. Additional uncertainty may occur as customers take deductions when they make payments to us. This creates complexities because our customers do not always provide reasons for the deductions taken. Additionally, customers may take deductions to which they are not entitled and the length of time customers take deductions to which they are entitled can vary from two weeks to well over a year. Because of the aforementioned uncertainties, the process to determine the amount of liability to record is cumbersome and subject to inaccuracies. However, we feel that due to constant monitoring of the process, any inaccuracies would not be material. Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately \$14,000,000 and \$12,090,000 at September 26, 2009 and September 27, 2008, respectively.

Accounts Receivable — We record accounts receivable at the time revenue is recognized. Bad debt expense is recorded in marketing and administrative expenses. The amount of the allowance for doubtful accounts is based

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on our estimate of the accounts receivable amount that is uncollectable. It is comprised of a general reserve based on historical experience and amounts for specific customers' accounts receivable balances that we believe are at risk due to our knowledge of facts regarding the customer(s). We continually monitor our estimate of the allowance for doubtful accounts and adjust it monthly. We usually have approximately 10 customers with accounts receivable balances of between \$1 million to \$7 million. Failure of these customers, and others with lesser balances, to pay us the amounts owed, could have a material impact on our consolidated financial statements.

Accounts receivable due from any of our customers is subject to risk. Our total bad debt expense was \$492,000, \$502,000 and \$189,000 for the fiscal years 2009, 2008 and 2007, respectively. At September 26, 2009 and September 27, 2008, our accounts receivables were \$59,734,000 and \$61,176,000, net of an allowance for doubtful accounts of \$623,000 and \$926,000.

Asset Impairment — We have three reporting units with goodwill totaling \$60,314,000 as of September 26, 2009. We utilize historical reporting unit cash flows (defined as reporting unit operating income plus depreciation and amortization) as a proxy for expected future reporting unit cash flows to evaluate the fair value of these reporting units. If the fair value estimated substantially exceeds the carrying value of the reporting unit, including the goodwill, if any, associated with that unit, we do not recognize any impairment loss. We generally do not engage a third party to assist in this analysis as we believe that our in-house expertise is adequate to perform the analysis.

Licenses and rights, customer relationships and non compete agreements are being amortized by the straight-line method over periods ranging from 3 to 20 years and amortization expense is reflected throughout operating expenses. Long-lived assets, including fixed assets and intangibles, are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Cash flow analyses are used to assess impairment. The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

Useful Lives of Intangible Assets — Most of our trade names which have carrying value have been assigned an indefinite life and are not amortized because we plan to receive the benefit from them indefinitely. If we decide to curtail or eliminate the use of any of the trade names or if sales that are generated from any particular trade name do not support the carrying value of the trade name, then we would record an impairment or assign an estimated useful life and amortize over the remaining useful life. Rights such as prepaid licenses and non compete agreements are amortized over contractual periods. The useful lives of customer relationships are based on the discounted cash flows expected to be received from sales to the customers adjusted for an attrition rate. The loss of a major customer or declining sales in general could create an impairment charge.

Insurance Reserves — We have a self-insured medical plan which covers approximately 1,200 of our employees. We record a liability for incurred but not yet reported or paid claims based on our historical experience of claims payments and a calculated lag time period. We maintain a spreadsheet that includes claims payments made each month according to the date the claim was incurred. This enables us to have an historical record of claims incurred but not yet paid at any point in the past. We then compare our accrued liability to the more recent claims incurred but not yet paid amounts and adjust our recorded liability up or down accordingly. Our recorded liability at September 26, 2009 and September 27, 2008 was \$1,157,000 and \$772,000, respectively. Considering that we have stop loss coverage of \$175,000 for each individual plan subscriber, the general consistency of claims payments and the short time lag, we believe that there is not a material exposure for this liability. Because of the foregoing, we do not engage a third party actuary to assist in this analysis.

We self-insure, up to loss limits, worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2009 and 2008 was \$2,300,000 and

\$1,600,000, respectively. Our total recorded liability for all years' claims incurred but not yet paid was \$7,100,000 and \$6,400,000 at September 26, 2009 and September 27, 2008, respectively. We estimate the liability based on total incurred claims and paid claims adjusting for loss development factors which account for the development of open claims over time. We estimate the amounts we expect to pay for some insurance years by multiplying incurred losses

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by a loss development factor which is based on insurance industry averages and the age of the incurred claims; our estimated liability is then the difference between the amounts we expect to pay and the amounts we have already paid for those years. Loss development factors that we use range from 1.0 to 2.0. However, for some years, the estimated liability is the difference between the amounts we have already paid for that year and the maximum we could pay under the program in effect for that particular year because the calculated amount we expect to pay is higher than the maximum. For other years, where there are few claims open, the estimated liability we record is the amount the insurance company has reserved for those claims. We evaluate our estimated liability on a continuing basis and adjust it accordingly. Due to the multi-year length of these insurance programs, there is exposure to claims coming in lower or higher than anticipated; however, due to constant monitoring and stop loss coverage on individual claims, we believe our exposure is not material. Because of the foregoing, we do not engage a third party actuary to assist in this analysis. In connection with these self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 26, 2009 and September 27, 2008, we had outstanding letters of credit totaling \$8,675,000 and \$9,475,000, respectively.

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

RESULTS OF OPERATIONS

Fiscal 2009 (52 weeks) Compared to Fiscal 2008 (52 weeks)

Net sales increased \$23,688,000, or 4%, to \$653,047,000 in fiscal 2009 from \$629,359,000 in fiscal 2008.

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

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

Food Service

Sales to food service customers increased \$17,559,000, or 4%, to \$417,753,000 in fiscal 2009. Soft pretzel sales to the food service market decreased \$313,000, or about 1/3 of one percent, to \$99,471,000 for the year. Unit sales of soft pretzels were down 3% for the year. Sales of bakery products excluding biscuit and dumpling sales and fruit and fig bar sales, increased \$6,607,000, or 4%, for the year. Biscuit and dumpling sales were up 8% to \$32,845,000 due to increased distribution and new product offerings. Sales of fig and fruit bars increased 11% to \$29,497,000 due to strong volume growth spread across our customer base. Churro sales were up 16% for the year with \$29,404,000 of sales in 2009 with over 80% of the sales increase coming from sales to one customer. Frozen juice bar and ices sales decreased \$934,000 or 2% to \$50,272,000 for the year. Sales of our funnel cake products were up \$2,872,000, or 49%, with sales to one customer accounting for about one-half of the increase. The changes in sales throughout the Food Service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased \$8,046,000 or 14% to \$65,158,000 in fiscal 2009. Total soft pretzel sales to retail supermarkets were \$30,506,000, an increase of 11% from fiscal 2008, on a unit volume decrease of 2%. Sales of frozen juice bars and ices increased 19% to \$37,819,000 in 2009 on a case volume increase of 25%. Increased trade spending of \$1.3 million for the introduction of new frozen novelty items and a shift in product mix reduced sales dollars in relation to the unit volume increases. Coupon costs, a reduction of sales, increased 38% or about \$1,029,000 for the year.

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 23% primarily due to closings or licensings of stores in the

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past year. At September 26, 2009, we had 4 stores open. Sales of stores open for both years were down 7% for the year.

Frozen Beverages

Frozen beverage and related product sales decreased \$1,539,000 or 1% to \$168,879,000 in fiscal 2009. Beverage sales alone were down 1% for the year. Gallon sales were down 2% for the year in our base ICEE business. Service revenue increased \$3,210,000, or 8%, to \$42,013,000 for the year as we continue to

grow this part of our business. Frozen carbonated machine sales decreased \$2,834,000 to \$10,004,000 for the year.

Consolidated

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

Gross profit as a percent of sales increased 2.28 percentage points in 2009 from 2008 to 32%.

Lower commodity costs in excess of \$11,000,000, higher pricing and increased efficiencies due to volume in some of our product lines partially offset by higher workers' compensation and group health insurance expense were the primary drivers causing the gross profit percentage increase.

Total operating expenses decreased \$1,665,000 to \$141,906,000 in fiscal 2009 and as a percentage of sales decreased 1.08 percentage points to 22% of sales in 2009. Other general income was \$5,000 this year. Other general income of \$375,000 last year primarily consisted of gains on the disposition of assets and insurance gains in our Food Service and Frozen Beverages segments offset by store closing costs in our Restaurant Group segment of \$102,000. Marketing expenses decreased .45 percentage points and remained at 11% of sales. Controlled spending in our Food Service and Frozen Beverages segments accounted for the overall decline. Distribution expenses decreased .75 of a percentage point and remained at 8% of sales due to lower freight and fuel costs. Administrative expenses were about 3-1/2% of sales in both years.

Operating income increased \$23,602,000, or 54%, to \$66,938,000 in fiscal 2009 as a result of the aforementioned items.

Investment income decreased by \$1,279,000 to \$1,386,000 due to the general decline in the level of interest rates.

The effective income tax rate was 39% in both fiscal years.

Net earnings increased \$13,404,000, or 48%, in fiscal 2009 to \$41,312,000, or \$2.21 per diluted share as a result of the aforementioned items.

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

Fiscal 2008 (52 weeks) Compared to Fiscal 2007 (52 weeks)

Net sales increased \$60,548,000, or 11%, to \$629,359,000 in fiscal 2008 from \$568,901,000 in fiscal 2007. Adjusting for sales related to the acquisitions of DADDY RAY'S and Hom/Ade Foods in January 2007, and WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Frozen Fruit Bar brands in April 2007, sales increased approximately 7%, or \$41,681,000.

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

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales

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in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

Food Service

Sales to food service customers increased \$44,430,000, or 12%, to \$400,194,000 in fiscal 2008. Excluding the benefit of sales from acquisitions, sales increased approximately 7%. Soft pretzel sales to the food service market increased \$925,000, or 1%, to \$99,784,000 for the year. Sales of bakery products excluding Hom/Ade and DADDY RAY'S, increased \$19,768,000, or 14%, for the year. Hom/Ade and DADDY RAY sales were \$30,380,000 and \$26,596,000, respectively, for the year. Churro sales were up 15% for the year with \$25,286,000 of sales in 2008. Frozen juice bar and ices sales increased \$3,635,000 or 8% to \$51,206,000 for the year. Without WHOLE FRUIT and FRUIT-A-FREEZE, sales increased 5% for the year. Sales of our funnel cake products were down \$835,000, or 12%, as sales declined to one customer. The changes in sales throughout the Food Service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased \$4,981,000 or 10% to \$57,112,000 in fiscal 2008. Total soft pretzel sales to retail supermarkets were \$27,559,000, an increase of 11% from fiscal 2007 virtually all due to pricing. Sales of frozen juice bars and ices increased 8% to \$31,742,000 in 2008 due to increased volume of WHOLE FRUIT and FRUIT-A-FREEZE and reduced allowances on our other products. Coupon costs, a reduction of sales, were essentially unchanged for the year.

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 41% primarily due to closings or licensings of stores in the past year. At September 27, 2008, we had 5 stores open. Sales of stores open for both

years were down 4% for the year.

Frozen Beverages

Frozen beverage and related product sales increased \$12,178,000 or 8% to \$170,418,000 in fiscal 2008. Beverage sales alone were up 6% for the year with approximately 2/3 of the increase resulting from a change in distribution to one customer and the balance resulting from pricing. Gallon sales were down 4% for the year in our base ICEE business. Service revenue increased \$7,554,000, or 24%, to \$38,803,000 for the year as we continue to grow this part of our business. Frozen carbonated machine sales decreased \$1,680,000 to \$14,793,000 for the year.

Consolidated

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

Gross profit as a percent of sales decreased 3.09 percentage points in 2008 from 2007 to 30%.

We were impacted by higher unit commodity costs of over \$30,000,000 for the year. This compares to an increase of less than \$10,000,000 in 2007 compared to 2006. We expect to be impacted by higher commodity costs going forward, at least over the short term; however, we do expect the magnitude of the year over year increases to continue the decline which began in our fourth quarter. Reduced trade spending of about \$2,700,000 in our retail supermarket segment benefitted gross profit and contributed to the improved operating income in the Retail Supermarkets segment. Pricing and lower liability insurance costs of approximately \$1,900,000 also helped to partially offset some of the commodity costs' increase.

Total operating expenses increased \$5,624,000 to \$143,571,000 in fiscal 2008 but as a percentage of sales decreased 1.44 percentage points to 23% of sales in 2008. Other general income of \$375,000 this year primarily

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consists of gains on the disposition of assets and insurance gains in our Food Service and Frozen Beverages segments offset by store closing costs in our Restaurant Group segment of \$102,000. Last year, other general income consisted of primarily \$495,000 and \$321,000 insurance gains in the Frozen Beverages and The Restaurant Group segments, respectively and a royalty settlement of \$569,000 in the Food Service segment reduced by other general expense items. Marketing expenses decreased 1.26 percentage points to 11% of sales. Controlled spending in our Food Service and Retail Supermarket segments accounted for the decline with lower advertising expense of approximately \$2,000,000 accounting for about 25% of the percentage point decline. Distribution expenses decreased .24 of a percentage point to 8% of sales even though our fuel costs were approximately \$2 million higher in our Frozen Beverages segment and administrative expenses were about 3-1/2% of sales in both years.

Operating income decreased \$5,244,000, or 11%, to \$43,336,000 in fiscal 2008 as a result of the aforementioned items.

Investment income decreased by \$55,000 to \$2,665,000 primarily due to lower investment returns in the fourth quarter.

The effective income tax rate increased to 39% in fiscal year 2008 from 37% in fiscal 2007. Last year included the benefit of the resolution of state and foreign tax matters. This year had a lower benefit from stock based compensation as well as additional expense resulting from changes in state tax requirements.

Net earnings decreased \$4,204,000, or 13%, in fiscal 2008 to \$27,908,000, or \$1.47 per diluted share as a result of the aforementioned items.

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

ACQUISITIONS

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

On January 31, 2006, we acquired the stock of ICEE of Hawaii. ICEE of Hawaii, headquartered in Waipahu, Hawaii, distributes ICEE frozen beverages and related products throughout the Hawaiian islands.

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

On January 9, 2007, we acquired the assets of Hom/Ade Foods, Inc. Hom/Ade Foods, Inc., based in Pensacola, Florida is a manufacturer and distributor of biscuits and dumplings sold under the MARY B's and private label store brands predominately to the retail supermarket trade. Annual sales of the business were approximately \$30 million for the year ended December 2006.

On January 31, 2007, we acquired the assets of Radar, Inc. Radar, Inc. is a manufacturer and seller of fig and fruit bars selling its products under the brand DADDY RAY'S. Headquartered and with its manufacturing facility in Moscow Mills, Missouri (outside of St. Louis), Radar, Inc. had annual sales of

approximately \$23 million dollars selling to the retail grocery segment and mass merchandisers, both branded and private label.

On April 2, 2007, we acquired the WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Frozen Fruit Bar brands, along with related assets including a manufacturing facility located in Norwalk, California, selling primarily to the supermarket industry. Sales for 2007 were \$2,429,000.

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On June 25, 2007, we acquired the assets of an ICEE distributor in Kansas with annual sales of less than \$1 million.

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

LIQUIDITY AND CAPITAL RESOURCES

Although there are many factors that could impact our operating cash flow, most notably net earnings, we believe that our future operating cash flow, along with our borrowing capacity, our current cash and cash equivalent balances and our investment securities is sufficient to fund future growth and expansion. See Note C to these financial statements for a discussion of our investment securities.

Fluctuations in the value of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of \$1,428,000 in accumulated other comprehensive loss in 2009 and a decrease of \$3,000 in 2008 and an increase of \$42,000 in 2007. In 2009, sales of the two subsidiaries were \$11,658,000 as compared to \$11,078,000 in 2008 and \$9,785,000 in 2007.

In our fiscal year ended September 26, 2009, we purchased and retired 450,597 shares of our common stock at a cost of \$12,510,000 under a million share buyback authorization approved by the Company's Board of Directors in February 2008. Of the shares purchased and retired in 2009, 400,000 shares were purchased at the purchase price of \$27.90 per share from Gerald B. Shreiber, Chairman of the Board, Chief Executive Officer and Director of the Company.

In our 2008 fiscal year ended September 27, 2008, we purchased and retired 135,124 shares of our common stock at a cost of \$3,539,000. The Company did not repurchase any of its common stock in fiscal year 2007.

In December 2006, we entered into an amended and restated loan agreement with our existing banks which provides for up to a \$50,000,000 revolving credit facility repayable in December 2011. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under the facility at September 26, 2009 and September 27, 2008. The significant financial covenants are:

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

We were in compliance with the financial covenants described above at September 26, 2009.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2009 and 2008 was \$2,300,000 and \$1,600,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 26, 2009 and September 27, 2008, we had outstanding letters of credit totaling \$8,675,000 and \$9,475,000, respectively.

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

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt, including current maturities	\$ —	\$ —	\$ —	\$ —	\$ —
Capitalized lease obligations	381	96	199	86	—
Purchase commitments	46,000	46,000	—	—	—
Operating leases	43,176	9,167	13,893	7,626	12,490
Total	\$89,557	\$55,263	\$14,092	\$7,712	\$12,490

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

Fiscal 2009 Compared to Fiscal 2008

Cash and cash equivalents and marketable securities held to maturity net of a decline in auction market preferred stock increased \$37,055,000, or 45%, to \$118,990,000 from a year ago primarily because net cash provided by operating activities of \$80,633,000 was more than cash used for purchases of property, plant and equipment by \$53,443,000, which was partially offset by cash used in financing activities of \$15,740,000.

Trade receivables decreased \$1,442,000, or 2%, to \$59,734,000 in 2009 due primarily to better management of receivables. Inventories decreased \$3,091,000 or 6% to \$46,004,000 in 2009 due to lower unit costs of inventories, improved management and timing.

Net property, plant and equipment increased \$4,109,000 to \$97,173,000 because purchases of fixed assets for the improvement and expansion of our manufacturing capabilities and frozen carbonated beverage business exceeded depreciation on existing assets.

Other intangible assets, less accumulated amortization decreased \$4,508,000 to \$49,125,000 due completely to amortization.

Goodwill was unchanged at \$60,314,000 from September 27, 2008 to September 26, 2009.

Accounts payable and accrued liabilities decreased \$14,000.

Accrued compensation expense increased 14% to \$11,656,000 due to an increase in our employee base, a general increase in the level of pay rates and higher bonuses due to be paid.

Deferred income tax liabilities increased by \$3,977,000 to \$27,033,000 which related primarily to amortization of goodwill and other intangible assets and depreciation of property, plant and equipment.

Other long-term liabilities at September 26, 2009 include \$1,895,000 of gross unrecognized tax benefits.

Common stock decreased \$6,638,000 to \$41,777,000 in 2009 because increases totalling \$4,923,000 from the exercise of incentive and nonqualified stock options, stock issued under our stock purchase plan for employees and share-based compensation expense were less than the repurchase of common stock of \$12,510,000 by \$6,638,000.

Net cash provided by operating activities increased \$25,736,000 to \$80,633,000 in 2009 primarily because of the increase to net earnings of \$13,404,000 and decreases in accounts receivable, inventories and prepaid expenses totalling \$4,174,000 compared to increases in those assets totalling \$7,686,000 last year.

Net cash used in investing activities increased \$28,971,000 to \$47,825,000 in 2009 from \$18,854,000 in 2008 primarily because of increased purchases of marketable securities, net of proceeds.

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Net cash used in financing activities of \$15,740,000 in 2009 compared to net cash used by financing activities of \$7,600,000 in 2008. The increase was caused primarily by an increase of \$8,971,000 in payments to repurchase common stock.

In 2009, the major variables in determining our net increase in cash and cash equivalents and marketable securities were our net earnings, depreciation and amortization of fixed assets, purchases of property, plant and equipment and the repurchase of common stock. Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the purchase of companies, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although the balance of our long-term debt is \$0 at September 26, 2009, we may borrow in the future depending on our needs.

Fiscal 2008 Compared to Fiscal 2007

Cash and cash equivalents, marketable securities held to maturity and auction market preferred stock increased \$24,916,000, or 44%, to \$81,935,000 from a year ago primarily because net cash provided by operating activities of \$54,897,000 was more than cash used for purchases of property, plant and equipment and for purchase of companies by \$32,116,000, which was partially offset by cash used in financing activities of \$7,600,000.

Trade receivables increased \$4,404,000, or 8%, to \$61,176,000 in 2008 due primarily to higher net sales. Inventories increased \$2,496,000 or 5% to \$49,095,000 in 2008 due primarily to higher unit costs of inventories.

Net property, plant and equipment was essentially unchanged at \$93,064,000 because purchases of fixed assets were essentially offset by depreciation of fixed assets.

Other intangible assets, less accumulated amortization decreased \$4,700,000 to \$53,633,000 due completely to amortization.

Goodwill was unchanged at \$60,314,000 from September 29, 2007 to September 27, 2008.

Accounts payable and accrued liabilities increased \$550,000, or 1% from 2007 to 2008 primarily because of higher costs of raw materials and packaging.

Deferred income tax liabilities increased by \$3,876,000 to \$23,056,000 which related primarily to amortization of goodwill and other intangible assets and depreciation of property, plant and equipment.

Other long-term liabilities at September 27, 2008 include \$1,735,000 of gross unrecognized tax benefits.

Common stock increased \$1,135,000 to \$48,415,000 in 2008 because increases from the exercise of incentive and nonqualified stock options, stock issued under our stock purchase plan for employees and share-based compensation expense exceeded the repurchase of common stock of \$3,539,000 by \$1,135,000.

Net cash provided by operating activities decreased \$2,946,000 to \$54,897,000 in 2008 primarily because of the decrease to net earnings of \$4,204,000.

Net cash used in investing activities decreased \$38,980,000 to \$18,854,000 in 2008 from \$57,834,000 in 2007 primarily because we did not make any acquisitions in 2008.

Net cash used in financing activities of \$7,600,000 in 2008 compared to net cash used by financing activities of \$1,769,000 in 2007. The increase was caused by \$3,539,000 of payments to repurchase common stock along with a decrease in proceeds from the issuance of common stock upon the exercise of stock options.

In 2008, the major variables in determining our net increase in cash and cash equivalents and marketable securities were our net earnings, depreciation and amortization of fixed assets and purchases of property, plant and equipment. Additionally, in 2008, due to the failure of the auction market, we reclassified a portion of our investment

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securities to long-term assets (see Note C to these financial statements). Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the repurchase of common stock, payments for the purchases of companies, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although the balance of our long-term debt is \$0 at September 27, 2008, we may borrow in the future depending on our needs.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk

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

Interest Rate Sensitivity

The Company has in the past entered into interest rate swaps to limit its exposure to interest rate risk and may do so in the future if the Board of Directors feels that such non-trading purpose is in the best interest of the Company and its shareholders. As of September 26, 2009, the Company had no interest rate swap contracts.

Interest Rate Risk

At September 26, 2009, the Company had no long-term debt obligations.

Purchasing Risk

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

Foreign Exchange Rate Risk

The Company has not entered into any forward exchange contracts to hedge its foreign currency rate risk as of September 26, 2009 because it does not believe its foreign exchange exposure is significant.

Item 8. Financial Statements And Supplementary Data

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

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

None.

Item 9A. Controls And Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended for financial reporting, as of September 26, 2009. Based on that evaluation, our chief executive officer and chief financial officer concluded that these controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits

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under the Exchange Act is recorded, processed, summarized, and reported as specified in Securities and Exchange Commission rules and forms. There were no changes in these controls or procedures identified in connection with the evaluation of such controls or procedures that occurred during our last fiscal quarter, or in other factors that have materially affected, or are reasonably likely to materially affect these controls or procedures. There were no changes in the Company’s internal controls over financial reporting that occurred during our last fiscal quarter.

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

Management’s Report on Internal Control over Financial Reporting

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of September 26, 2009. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, our management believes that, as of September 26, 2009, our internal control over financial reporting is effective. There have been no changes that occurred during our fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

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

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Portions of the information concerning directors and executive officers, appearing under the captions “Information Concerning Nominees For Election To Board” and “Information Concerning Continuing Directors And Executive Officers” and information concerning Section 16(a) Compliance appearing under the caption

“Compliance with Section 16(a) of the Securities Exchange Act of 1934” in the Company’s Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 8, 2010 (“2009 Proxy Statement”) is incorporated herein by reference.

Portions of the information concerning the Audit Committee, the requirement for an Audit Committee Financial Expert and the Nominating Committee in the Company’s 2009 Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 8, 2010, is incorporated herein by reference.

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

Item 11. Executive Compensation

Information concerning executive compensation appearing in the Company’s 2009 Proxy Statement under the caption “Management Remuneration” is incorporated herein by reference.

The following is a list of the executive officers of the Company and their principal past occupations or employment. All such persons serve at the pleasure of the Board of Directors and have been elected to serve until the Annual Meeting of Shareholders on February 8, 2010 or until their successors are duly elected.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gerald B. Shreiber	68	Chairman of the Board, President, Chief Executive Officer and Director
Dennis G. Moore	54	Senior Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Robert M. Radano	60	Senior Vice President, Sales and Chief Operating Officer
Dan Fachner	49	President of The ICEE Company Subsidiary
Vincent Melchiorre	49	Executive Vice President and Chief Marketing Officer

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

Dennis G. Moore joined the Company in 1984. He served in various controllership functions prior to becoming the Chief Financial Officer in June 1992. His term as a director expires in 2012.

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

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

Vincent Melchiorre joined the Company in June 2007. Prior to joining the Company, he had been employed in management positions with Weston Foods, USA for one year, The Tasty Baking Company for three years and The Campbell Soup Company for over twenty years.

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

Information concerning the security ownership of certain beneficial owners and management appearing in the Company’s 2009 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” is incorporated herein by reference.

The following table details information regarding the Company’s existing equity compensation plans as of September 26, 2009.

<u>Plan Category</u>	<u>(a)</u> Number of securities to be issued upon exercise of outstanding options, warrants and rights	<u>(b)</u> Weighted-average exercise price of outstanding options, warrants and rights	<u>(c)</u> Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	746,000	\$ 23.70	1,321,000
Equity compensation plans not approved by security holders	—	—	—
Total	746,000	\$ 23.70	1,321,000

Item 13. *Certain Relationships And Related Transactions, and Director Independence*

None to report.

Item 14. *Principal Accounting Fees And Services*

Information concerning the Principal Accountant Fees and Services in the Company's 2009 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

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

(1) Financial Statements

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

(2) Financial Statement Schedule — Page S-1

Schedule II — Valuation and Qualifying Accounts

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

(b) Exhibits

- 3.1 Amended and Restated Certificate of Incorporation filed February 28, 1990. (Incorporated by reference from the Company's Form 10-Q dated May 4, 1990.)
- 3.2 Revised Bylaws adopted May 17, 2006. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)
- 4.3 Amended and Restated Loan Agreement dated December 1, 2006 by and among J & J Snack Foods Corp. and Certain of its Subsidiaries and Citizens Bank of Pennsylvania, as Agent. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)

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- 10.1 Proprietary Exclusive Manufacturing Agreement dated July 17, 1984 between J & J Snack Foods Corp. and Wisco Industries, Inc. (Incorporated by reference from the Company's Form S-1 dated February 4, 1986, file no. 33-2296).
- 10.2* J & J Snack Foods Corp. Stock Option Plan. (Incorporated by reference from the Company's Definitive Proxy Statement dated December 19, 2002.)
- 10.3* Adoption Agreement for MFS Retirement Services, Inc. Non-Standardized 401(K) Profit Sharing Plan and Trust, effective September 1, 2004. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)
- 10.4* J & J Snack Foods Corp. Directors' and Consultants' Deferred Compensation Plan adopted November 21, 2005. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)
- 10.6 Lease dated September 24, 1991 between J & J Snack Foods Corp. of New Jersey and A & H Bloom Construction Co. for the 101,200 square foot building next to the Company's manufacturing facility in Pennsauken, New Jersey. (Incorporated by reference from the Company's Form 10-K dated December 17, 1991.)
- 10.7 Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 21, 1995.)
- 10.8* J & J Snack Foods Corp. Employee Stock Purchase Plan (Incorporated by reference from the Company's Form S-8 dated May 16, 1996).
- 10.11 Amendment No. 1 to Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 18, 2002).
- 10.12 Employment agreement between Vincent A. Melchiorre and J & J Snack Foods Corp. (Incorporated by reference from the Company's 8-K dated June 5, 2007).
- 10.13** Lease dated July 15, 2009 between J & J Snack Foods Sales Corp. and The Bloom Organization of South Jersey, LLC for the 101,200 square foot building next to the Company's manufacturing facility in Pennsauken, New Jersey.

- 10.14** Leases and amendments to leases between Liberty Venture I, LP and J & J Snack Foods Corp. for the three buildings located in Bridgeport, New Jersey.
- 14.1 Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference from the Company's 10-Q dated July 20, 2004).
- 21.1** Subsidiaries of J & J Snack Foods Corp.
- 23.1** Consent of Independent Registered Public Accounting Firm.
- 31.1** Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2** Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.
- 32.2** Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

* Compensatory Plan

** Filed Herewith

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SIGNATURES

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

J & J SNACK FOODS CORP.

December 8, 2009

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

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

December 8, 2009

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

December 8, 2009

/s/ Dennis G. Moore
 Dennis G. Moore, Senior Vice
 President, Chief Financial
 Officer and Director
 (Principal Financial Officer)
 (Principal Accounting Officer)

December 8, 2009

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

December 8, 2009

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

December 8, 2009

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

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J & J SNACK FOODS CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of J & J Snack Foods Corp. and Subsidiaries as of September 26, 2009 and September 27, 2008, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for each of the three fiscal years in the period ended September 26, 2009 (52 weeks, 52 weeks, and 52 weeks, respectively). Our audits of the basic financial statements included the financial statement schedule, listed in the index appearing under Item 15(a)(2). We have also audited J & J Snack Foods Corp. and Subsidiaries' internal control over financial reporting as of September 26, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). J & J Snack Foods Corp. and Subsidiaries' management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting which is included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on J & J Snack Foods Corp. and Subsidiaries' internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of J & J Snack Foods Corp. and Subsidiaries as of September 26, 2009 and September 27, 2008, and the consolidated results of its operations and its consolidated cash flows for each of the three fiscal years in the period ended September 26, 2009 (52 weeks, 52 weeks and 52 weeks) in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, J & J Snack Foods Corp. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 26, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

As discussed in Note A to the consolidated financial statements, the Company has adopted Accounting Standards Codification No. 740, Income Taxes, relating to uncertainties in income taxes in 2008.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania

December 8, 2009

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

	September 26, 2009	September 27, 2008
	(in thousands, except share amounts)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 60,343	\$ 44,265
Marketable securities held to maturity	38,653	2,470
Auction market preferred stock	—	14,000
Receivables		
Trade, less allowances of \$623 and \$926, respectively	59,734	61,176
Other	808	677
Inventories	46,004	49,095
Prepaid expenses and other	1,910	1,962
Deferred income taxes	3,659	3,555
Total current assets	211,111	177,200
Property, Plant and Equipment, at cost		
	383,156	364,164
Less accumulated depreciation and amortization	285,983	271,100
	97,173	93,064
Other Assets		
Goodwill	60,314	60,314
Other intangible assets, net	49,125	53,633
Marketable securities held to maturity	19,994	—
Auction market preferred stock	—	21,200
Other	2,110	2,997
	131,543	138,144
	<u>\$ 439,827</u>	<u>\$ 408,408</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Current obligations under capital leases	\$ 96	\$ 93
Accounts payable	48,204	48,580
Accrued liabilities	5,919	5,557
Accrued compensation expense	11,656	10,232
Dividends payable	1,804	1,732
Total current liabilities	67,679	66,194
Long-term obligations under capital leases		
	285	381
Deferred income taxes	27,033	23,056
Other long-term liabilities	1,986	1,999
Stockholders' Equity		
Preferred stock, \$1 par value; authorized, 10,000,000 shares; none issued	—	—
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 18,526,000 and 18,748,000 respectively	41,777	48,415
Accumulated other comprehensive loss	(3,431)	(2,003)
Retained earnings	304,498	270,366
	<u>342,844</u>	<u>316,778</u>
	<u>\$ 439,827</u>	<u>\$ 408,408</u>

The accompanying notes are an integral part of these statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share information)

	Fiscal year ended		
	September 26, 2009 (52 weeks)	September 27, 2008 (52 weeks)	September 29, 2007 (52 weeks)
Net Sales	\$653,047	\$629,359	\$568,901
Cost of goods sold(1)	444,203	442,452	382,374
Gross profit	<u>208,844</u>	<u>186,907</u>	<u>186,527</u>
Operating expenses			
Marketing(2)	69,493	69,792	70,248
Distribution(3)	49,705	52,609	48,945
Administrative(4)	22,713	21,545	20,142
Other general income	(5)	(375)	(1,388)
	<u>141,906</u>	<u>143,571</u>	<u>137,947</u>
Operating income	<u>66,938</u>	<u>43,336</u>	<u>48,580</u>
Other income (expenses)			
Investment income	1,386	2,665	2,720
Interest expense and other	(115)	(116)	(142)
	<u>1,271</u>	<u>2,549</u>	<u>2,578</u>
Earnings before income taxes	68,209	45,885	51,158
Income taxes	<u>26,897</u>	<u>17,977</u>	<u>19,046</u>
NET EARNINGS	<u>\$ 41,312</u>	<u>\$ 27,908</u>	<u>\$ 32,112</u>
Earnings per diluted share	<u>\$ 2.21</u>	<u>\$ 1.47</u>	<u>\$ 1.69</u>
Weighted average number of diluted shares	<u>18,713</u>	<u>19,008</u>	<u>19,005</u>
Earnings per basic share	<u>\$ 2.23</u>	<u>\$ 1.49</u>	<u>\$ 1.72</u>
Weighted average number of basic shares	<u>18,516</u>	<u>18,770</u>	<u>18,635</u>

- (1) Includes share-based compensation expense of \$211 for the year ended September 26, 2009, \$229 for the year ended September 27, 2008 and \$227 for the year ended September 29, 2007.
- (2) Includes share-based compensation expense of \$729 for the year ended September 26, 2009, \$799 for the year ended September 27, 2008 and \$716 for the year ended September 29, 2007.
- (3) Includes share-based compensation expense of \$21 for the year ended September 26, 2009, \$23 for the year ended September 27, 2008 and \$50 for the year ended September 29, 2007.
- (4) Includes share-based compensation expense of \$755 for the year ended September 26, 2009, \$800 for the year ended September 27, 2008 and \$747 for the year ended September 29, 2007.

The accompanying notes are an integral part of these statements.

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

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total	Comprehensive Income
	Shares	Amount				
Balance at October 1, 2006	18,468	\$ 41,098	\$ (1,964)	\$224,522	\$263,656	
Issuance of common stock upon exercise of stock options	211	3,669	—	—	3,669	
Issuance of common stock for employee stock purchase plan	23	700	—	—	700	
Foreign currency translation adjustment	—	—	(42)	—	(42)	\$ (42)
Issuance of common stock under deferred stock plan	—	275	—	—	275	
Dividends declared	—	—	—	(6,326)	(6,326)	
Share-based compensation	—	1,538	—	—	1,538	
Net earnings	—	—	—	32,112	32,112	32,112
Comprehensive income	—	—	—	—	—	<u>\$ 32,070</u>
Balance at September 29, 2007	18,702	\$ 47,280	\$ (2,006)	\$250,308	\$295,582	
Cumulative effective of change in accounting for income taxes	—	—	—	(925)	(925)	
Issuance of common stock upon exercise of stock options	150	2,029	—	—	2,029	
Issuance of common stock for employee stock purchase plan	31	782	—	—	782	
Foreign currency translation adjustment	—	—	3	—	3	\$ 3
Issuance of common stock under deferred stock plan	—	388	—	—	388	
Dividends declared	—	—	—	(6,925)	(6,925)	
Share-based compensation	—	1,475	—	—	1,475	
Repurchase of common stock	(135)	(3,539)	—	—	(3,539)	
Net earnings	—	—	—	27,908	27,908	27,908
Comprehensive income	—	—	—	—	—	<u>\$ 27,911</u>
Balance at September 27, 2008	18,748	\$ 48,415	\$ (2,003)	\$270,366	\$316,778	
Issuance of common stock upon exercise of stock options	198	3,284	—	—	3,284	
Issuance of common stock for employee stock purchase plan	26	687	—	—	687	
Foreign currency translation adjustment	—	—	(1,428)	—	(1,428)	\$ (1,428)
Issuance of common stock under deferred stock plan	5	368	—	—	368	
Dividends declared	—	—	—	(7,180)	(7,180)	
Share-based compensation	—	1,533	—	—	1,533	
Repurchase of common stock	(451)	(12,510)	—	—	(12,510)	
Net earnings	—	—	—	41,312	41,312	41,312
Comprehensive income	—	—	—	—	—	<u>\$ 39,884</u>
Balance at September 26, 2009	18,526	\$ 41,777	\$ (3,431)	\$304,498	\$342,844	

The accompanying notes are an integral part of these statements.

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

	Fiscal year ended		
	September 26, 2009 (52 weeks)	September 27, 2008 (52 weeks)	September 29, 2007 (52 weeks)
Operating activities:			
Net earnings	\$ 41,312	\$ 27,908	\$ 32,112
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	22,663	22,181	22,451
Amortization of intangibles and deferred costs	5,090	5,289	4,557
Gains from disposals and impairment of property & equipment	(31)	(174)	(49)
Other	—	—	(150)
Share-based compensation	1,716	1,851	1,740

Deferred income taxes	3,839	3,446	557
Changes in assets and liabilities, net of effects from purchase of companies:			
Decrease (increase) in accounts receivable	1,144	(4,701)	(569)
Decrease (increase) in inventories	2,993	(2,448)	(5,722)
Decrease (increase) in prepaid expenses and other	37	(537)	(65)
Increase in accounts payable and accrued liabilities	1,870	2,082	2,981
Net cash provided by operating activities	80,633	54,897	57,843
Investing activities:			
Purchases of property, plant and equipment	(27,190)	(22,781)	(22,765)
Payments for purchases of companies, net of cash acquired	—	—	(52,747)
Purchase of marketable securities	(66,380)	(2,470)	—
Proceeds from redemption and sales of marketable securities	10,204	—	—
Purchase of auction market preferred stock	—	(10,500)	(60,875)
Proceeds from redemption and sales of auction market preferred stock	35,200	16,500	78,882
Proceeds from disposal of property and equipment	326	932	592
Other	15	(535)	(921)
Net cash used in investing activities	(47,825)	(18,854)	(57,834)
Financing activities:			
Payments to repurchase common stock	(12,510)	(3,539)	—
Proceeds from issuance of common stock	3,971	2,811	4,369
Payments of cash dividend	(7,108)	(6,781)	(6,123)
Payments on capitalized lease obligations	(93)	(91)	(15)
Net cash used in financing activities	(15,740)	(7,600)	(1,769)
Effect of exchange rate on cash and cash equivalents	(990)	3	(42)
Net increase (decrease) in cash and cash equivalents	16,078	28,446	(1,802)
Cash and cash equivalents at beginning of year	44,265	15,819	17,621
Cash and cash equivalents at end of year	<u>\$ 60,343</u>	<u>\$ 44,265</u>	<u>\$ 15,819</u>

The accompanying notes are an integral part of these statements.

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Principles of Consolidation

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

2. Revenue Recognition

We recognize revenue from our products when the products are shipped to our customers and when equipment service is performed for our customers who are charged on a time and material basis. We also sell equipment service contracts with terms of coverage ranging between 12 and 60 months. We record deferred income on equipment service contracts which is amortized by the straight-line method over the term of the contracts. Revenue is recognized only where persuasive evidence of an arrangement exists, our price is fixed or determinable and collectability is reasonably assured. We record offsets to revenue for allowances, end-user pricing adjustments, trade spending, coupon redemption costs and returned product. Customers generally do not have the right to return product unless it is damaged or defective.

All amounts billed to customers related to shipping and handling are classified as revenues. Our product costs include amounts for shipping and handling, therefore, we charge our customers shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses. The cost of shipping products to the customer classified as Distribution expenses was \$49,705,000, \$52,609,000 and \$48,945,000 for the fiscal years ended 2009, 2008 and 2007, respectively.

During the years ended September 26, 2009, September 27, 2008 and September 29, 2007, we sold \$16,745,000, \$11,881,000 and \$9,000,000, respectively, of service contracts related to frozen beverage machines. At September 26, 2009 and September 27, 2008, deferred income on service contracts was \$1,424,000 and \$1,130,000, respectively, of which \$90,000 and \$144,000 is included in other long-term liabilities as of September 26, 2009 and September 27, 2008, respectively and the balance is reflected as short-term and included in accrued liabilities on the consolidated balance sheet. Service contract income of \$16,451,000, \$11,911,000 and \$9,612,000 was recognized for the fiscal years ended 2009, 2008 and 2007, respectively.

3. Foreign Currency

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

4. Use of Estimates

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

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Cash Equivalents

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

6. Concentrations of Credit Risk and Accounts Receivable

We maintain cash balances at financial institutions located in various states. Some of our accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. We customarily maintain cash balances in excess of these insurance limits. Some of our cash is in bank accounts which are insured by the Federal Deposit Insurance Corporation with no limit.

Other financial instruments that could potentially subject us to concentrations of credit risk are trade accounts receivable; however, such risks are limited due to the large number of customers comprising our customer base and their dispersion across geographic regions. We usually have approximately 10 customers with accounts receivable balances of between \$1 million to \$7 million.

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 42% and 42% of our sales during fiscal years 2009, 2008 and 2007, respectively, with our largest customer accounting for 9% of our sales in 2009, 9% in 2008 and 8% in 2007. Three of the ten customers are food distributors who sell our product to many end users.

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

7. Inventories

Inventories are valued at the lower of cost (determined by the first-in, first-out or weighted-average method) or market. We recognize abnormal amounts of idle facilities, freight, handling costs, and spoilage as charges of the current period. Additionally, we allocate fixed production overheads to inventories based on the normal capacity of our production facilities. We calculate normal capacity as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. This requires us to use judgment to determine when production is outside the range of expected variation in production (either abnormally low or abnormally high). In periods of abnormally low production (for example, periods in which there is significantly lower demand, labor and material shortages exist, or there is unplanned equipment downtime) the amount of fixed overhead allocated to each unit of production is not increased. However, in periods of abnormally high production the amount of fixed overhead allocated to each unit of production is decreased to assure inventories are not measured above cost.

We review for slow moving and obsolete inventory and a reserve is established for the value of inventory that we estimate will not be used. At September 26, 2009 and September 27, 2008, our reserve for inventory was \$4,209,000 and \$3,817,000, respectively.

8. Investment Securities

We classify our investment securities in one of three categories: held to maturity, trading, or available for sale; however, we have classified our auction market preferred stock separately on our balance sheet and in our statement of cash flows because of the failure of the auction market beginning in February 2008. The balance of our investment

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

portfolio consists solely of investments classified as held to maturity. See Note C for further information on our holdings of investment securities.

9. Depreciation and Amortization

Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. We review our equipment and buildings to ensure that they provide economic benefit and are not impaired.

Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights arising from acquisitions are amortized by the straight-line method over periods ranging from 3 to 20 years.

We use market value tests and discounted cash flow models to test goodwill and other intangible assets for impairment. These assets are reviewed for impairment annually or more frequently as a triggering event, such as the loss of a major customer, might occur.

10. Fair Value of Financial Instruments

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

11. Income Taxes

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

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities ("uncertain tax positions"). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

On September 30, 2007, the first day of the 2008 fiscal year, we recognized a \$925,000 decrease to opening retained earnings from the cumulative effect of recognizing a liability for uncertain tax positions. As of September 26, 2009, the total amount of gross unrecognized tax benefits is \$1,895,000, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to income tax matters as a part of the provision for income taxes. The Company had \$742,000 and \$588,000 of accrued interest and penalties as of September 26, 2009 and September 27, 2008, respectively. We recognized \$3,000 and \$6,000 of penalties and interest in the years ended September 26, 2009 and September 27, 2008, respectively. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(in thousands)
Balance at September 27, 2008	\$ 1,735
Additions based on tax positions related to the current year	246
Reductions for tax positions of prior years	(86)
Settlements	—
Balance at September 26, 2009	<u>\$ 1,895</u>

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax. Virtually all the returns noted above are open for examination for three to four years.

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**12. Earnings Per Common Share**

Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock.

Our calculation of EPS is as follows:

	Fiscal Year Ended September 26, 2009		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$41,312	18,516	\$2.23
Effect of Dilutive Securities			
Options	—	197	(.02)
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	<u>\$41,312</u>	<u>18,713</u>	<u>\$2.21</u>

114,236 anti-dilutive shares have been excluded in the computation of 2009 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

	Fiscal Year Ended September 27, 2008		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$27,908	18,770	\$1.49
Effect of Dilutive Securities			
Options	—	238	(.02)
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	<u>\$27,908</u>	<u>19,008</u>	<u>\$1.47</u>

273,471 anti-dilutive shares have been excluded in the computation of 2008 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

	Fiscal Year Ended September 29, 2007		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	\$32,112	18,635	\$1.72
Effect of Dilutive Securities			
Options	—	370	(.03)
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	<u>\$32,112</u>	<u>19,005</u>	<u>\$1.69</u>

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

128,200 anti-dilutive shares have been excluded in the computation of 2007 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

13. Accounting for Stock-Based Compensation

At September 26, 2009, the Company has three stock-based employee compensation plans. Share-based compensation was recognized as follows:

	September 26, 2009	September 27, 2008	September 29, 2007
(in thousands, except per share amounts)			
Stock options	\$ 508	\$ 1,019	\$ 833
Stock purchase plan	237	137	146
Deferred stock issued to outside directors	138	138	138
Restricted stock issued to an employee	<u>87</u>	<u>100</u>	<u>31</u>

	\$ 970	\$ 1,394	\$ 1,148
Per diluted share	\$.05	\$.07	\$.06
The above compensation is net of tax benefits	\$ 746	\$ 457	\$ 592

At September 26, 2009, the Company has unrecognized compensation expense of approximately \$650,000 to be recognized over the next three fiscal years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2009, 2008 and 2007: expected volatility of 23.3% for fiscal year 2009, 25.2% for year 2008 and 27.4% for year 2007; weighted average risk-free interest rates of 2.70%, 3.60% and 4.57%; dividend rate of 1.2%, 1.1% and .9% and expected lives ranging between 5 and 10 years for all years. Expected forfeiture rates of 15% were used for all years.

Expected volatility is based on the historical volatility of the price of our common shares over the past 50 to 51 months for 5 year options and 10 years for 10 year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$2,267,000, \$1,666,000, and \$4,084,000 for the fiscal years 2009, 2008 and 2007, respectively.

15. Commodity Price Risk Management

Our most significant raw material requirements include flour, shortening, corn syrup, sugar, juice, cheese, chocolate, and a variety of nuts. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. As of September 26, 2009, we have approximately \$46 million of such commitments. Futures contracts are not used in combination with forward purchasing of these raw materials. Our procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases. Our policy is to recognize estimated losses on purchase commitments when they occur. At each of the last three fiscal year ends, we did not have any material losses on our purchase commitments.

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

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Research and Development Costs

Research and development costs are expensed as incurred. Total research and development expense was \$761,000, \$571,000 and \$529,000 for the fiscal years 2009, 2008 and 2007, respectively.

17. Recent Accounting Pronouncements

In December 2007, the FASB issued guidance expanding the definition of a business combination and requiring the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. The guidance also requires that all assets, liabilities, contingent considerations, and contingencies of an acquired business be recorded at fair value at the acquisition date. In addition, the guidance requires that acquisition costs generally be expensed in the period incurred and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period to impact income tax expense. We will adhere to this guidance effective for our first quarter of Fiscal 2010.

In August 2008, the FASB issued guidance that revises the factors that a company should consider to develop renewal or extension assumptions used in estimating the useful life of a recognized intangible asset. The new guidance will apply to all intangible assets acquired after the guidance's effective date. The guidance also requires new disclosures for all intangible assets recognized as of, and subsequent to, the effective date. The underlying purpose of the guidance is to improve the consistency between the period of expected cash flows used to measure the fair value of a recognized intangible asset and the useful life of an intangible asset. This guidance is effective for our 2010 fiscal year. We are evaluating the effect the implementation of this guidance will have on our consolidated financial statements.

In April 2009, the FASB issued guidance that amends the provisions in its guidance issued in December 2007 for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. This revised guidance eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria, included in the December 2007 guidance and carries forward most of the provisions related to acquired contingencies in its June 2001 guidance. This guidance is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of our fiscal year 2010. The effect of this guidance on our consolidated financial statements will depend upon the nature, terms and size of any acquired contingencies consummated in fiscal year 2010 or later.

In June 2009, the FASB issued the FASB Accounting Standards Codification ("the Codification"), which establishes the Codification as the source of authoritative accounting guidance to be applied in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). The Codification, which changes the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. The codification is now the single official source of authoritative U.S. GAAP (other than guidance issued by the Securities and Exchange Commission),

superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. Only one level of authoritative U.S. GAAP now exists. All other literature is considered non-authoritative. The Codification does not change U.S. GAAP. We adopted the Codification during our fiscal year ended September 26, 2009.

18. Reclassifications

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

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

NOTE B — ACQUISITIONS

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

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

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

On January 9, 2007 we acquired the assets of Hom/Ade Foods, Inc., a manufacturer and distributor of biscuits and dumplings sold under the MARY B'S and private label store brands to the supermarket industry. Hom/Ade is headquartered in Pensacola, Florida.

On January 31, 2007 we acquired the assets of Radar Inc., a manufacturer and seller of fig and fruit bars selling its products under the brand DADDY RAY'S. Headquartered and with its manufacturing facility in Moscow Mills, Missouri (outside of St. Louis), Radar, Inc. had annual sales of approximately \$23 million dollars selling to the retail grocery segment and mass merchandisers, both branded and private label.

On April 2, 2007, we acquired the WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Fruit Bar brands, along with related assets including a manufacturing facility located in Norwalk, California which sells primarily to the supermarket industry.

On June 25, 2007, we acquired the assets of an ICEE distributor in Kansas with annual sales of less than \$1 million.

The allocation of the purchase prices for the Hom/Ade and Radar acquisitions and other acquisitions which were made during the 2007 fiscal year is as follows:

	<u>Hom/Ade</u>	<u>Radar</u>	<u>Other</u>
	(in thousands)		
Working Capital	\$ 1,410	\$ 1,284	\$ 989
Property, plant & equipment	233	5,750	1,442
Trade Names	6,220	1,960	3,086
Customer Relationships	17,250	10,730	58
Covenant not to Compete	301	109	—
Goodwill	476	1,287	603
	<u>\$25,890</u>	<u>\$21,120</u>	<u>\$6,178</u>

Included in the purchase price for Hom/Ade is a pre-acquisition contingency which was settled in the first quarter of fiscal year 2008 for approximately \$1.9 million.

The following pro forma information discloses net sales, net earnings and earnings per share for the three fiscal years ended September 26, 2009 including the sales and net earnings of Hom/Ade, Radar and Slush Puppie for all periods.

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

NOTE B — ACQUISITIONS (Continued)

The impact of the other acquisitions made during the periods on net sales, net earnings and earnings per share was not significant.

	Pro Forma Fiscal year ended		
	September 26, 2009 (52 weeks)	September 27, 2008 (52 weeks)	September 29, 2007 (52 weeks)
	(in thousands except per share information)		
Net Sales	\$653,047	\$629,359	\$581,024
Net Earnings	\$ 41,312	\$ 27,908	\$ 33,235
Earnings per diluted share	\$ 2.21	\$ 1.47	\$ 1.75
Earnings per basic share	\$ 2.23	\$ 1.49	\$ 1.78

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

NOTE C — INVESTMENT SECURITIES

We have classified our investment securities as marketable securities held to maturity and auction market preferred stock (AMPS). The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1	Observable inputs such as quoted prices in active markets for identical assets or liabilities;
Level 2	Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and
Level 3	Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

We have concluded that the carrying value of 26 week certificates of deposit placed through the Certificate of Deposit Account Registry Service equals fair market value. Other marketable securities held to maturity values are derived solely from level 1 inputs. We have no holdings of AMPS at September 26, 2009.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 26, 2009 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Fair Unrealized Losses	Market Value
	(in thousands)			
US Government Agency Debt	\$ 6,009	\$ 22	\$ 1	\$ 6,030
FDIC Backed Corporate Debt	13,213	198	—	13,411
Certificates of Deposit	39,425	21	3	39,443
	<u>\$58,647</u>	<u>\$ 241</u>	<u>\$ 4</u>	<u>\$58,884</u>

All of the certificates of deposit are within the FDIC limits for insurance coverage.

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

NOTE C — INVESTMENT SECURITIES (Continued)

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 27, 2008 are summarized as follows:

Certificates of Deposit	\$2,470	\$ —	\$6	\$2,464
	<u>\$2,470</u>	<u>\$ —</u>	<u>\$6</u>	<u>\$2,464</u>

All of the certificates of deposit are within the FDIC limits for insurance coverage.

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at September 26, 2009 and September 27, 2008 are summarized as follows:

September 26, 2009		September 27, 2008	
Amortized	Fair	Amortized	Fair

	Cost	Market Value	Cost	Market Value
		(in thousands)		
Due in one year or less	\$38,653	\$38,668	\$2,470	\$2,464
Due after one year through five years	19,994	20,216	—	—
Total held to maturity securities	\$58,647	\$58,884	\$2,470	\$2,464
Less current portion	38,653	38,668	2,470	2,464
Long term held to maturity securities	\$19,994	\$20,216	\$ —	\$ —

The amortized cost, unrealized gains and losses, and fair market values of our auction market preferred stock at September 27, 2008 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Auction Market Preferred Stock				
Equity Securities	\$35,200	\$ —	\$ —	\$35,200
	\$35,200	\$ —	\$ —	\$35,200

The AMPS we owned at September 27, 2008 are senior equity securities of closed-end funds and have priority over the fund's common shares as to distribution of assets and dividends, as described in each fund's prospectus.

On August 21, 2008, Merrill Lynch announced a plan to purchase, at par, AMPS held by J & J and other of its clients. Redemption of our AMPS subsequent to the failure of the auction process in February 2008 was \$10,000,000, our carrying value, in the year ended September 27, 2008 and \$15,400,000, also our carrying value, in the year ended September 26, 2009. In January 2009, we sold \$19,800,000 of our AMPS to Merrill Lynch at our carrying value.

Proceeds from the sale and redemption of AMPS were \$35,200,000 in the year ended September 26, 2009, with no gain or loss recorded. Proceeds from the sale and redemption of AMPS were \$16,500,000 in the year ended September 27, 2008, with no gain or loss recorded. We use the specific identification method to determine the cost of securities sold.

Proceeds from the sale and redemption of marketable securities were \$10,204,000 in the year ended September 26, 2009, and none in the prior year, with no gain or loss recorded. We use the specific identification method to determine the cost of securities sold.

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

NOTE D — INVENTORIES

Inventories consist of the following:

	September 26, 2009	September 27, 2008
		(in thousands)
Finished goods	\$ 19,913	\$ 23,512
Raw materials	8,060	7,658
Packaging materials	5,141	5,405
Equipment parts and other	12,890	12,520
	\$ 46,004	\$ 49,095

Inventory is presented net of an allowance for obsolescence of \$4,209,000 and \$3,817,000 as of fiscal year ends 2009 and 2008, respectively.

NOTE E — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	September 26, 2009	September 27, 2008	Estimated Useful Lives
		(in thousands)	
Land	\$ 1,416	\$ 1,416	—
Buildings	8,672	8,672	15–39.5 years
Plant machinery and equipment	133,758	124,591	5–20 years
Marketing equipment	202,708	195,878	5–7 years
Transportation equipment	2,733	2,878	5 years
Office equipment	11,461	10,820	3–5 years

Improvements	18,454	17,694	5–20 years
Construction in progress	3,954	2,215	—
	<u>\$383,156</u>	<u>\$364,164</u>	

NOTE F — GOODWILL AND INTANGIBLE ASSETS

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

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

	September 26, 2009		September 27, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Food Service				
Indefinite lived intangible assets				
Trade Names	\$ 8,180	\$ —	\$ 8,180	\$ —
Amortized intangible assets				
Non compete agreements	435	282	435	215
Customer relationships	33,287	11,526	33,287	8,087
Licenses and rights	3,606	2,061	3,606	1,835
	<u>\$45,508</u>	<u>\$13,869</u>	<u>\$45,508</u>	<u>\$10,137</u>

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

NOTE F — GOODWILL AND INTANGIBLE ASSETS (Continued)

	September 26, 2009		September 27, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Retail Supermarket				
Indefinite lived intangible assets				
Trade Names	<u>\$ 2,731</u>	<u>\$ —</u>	<u>\$ 2,731</u>	<u>\$ —</u>
The Restaurant Group				
Amortized intangible assets				
Licenses and rights	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Frozen Beverages				
Indefinite lived intangible assets				
Trade Names	\$ 9,315	\$ —	\$ 9,315	\$ —
Amortized intangible assets				
Non compete agreements	148	141	148	99
Customer relationships	6,478	2,212	6,478	1,548
Licenses and rights	1,601	434	1,601	364
	<u>\$17,542</u>	<u>\$ 2,787</u>	<u>\$17,542</u>	<u>\$ 2,011</u>

The gross carrying amount of intangible assets is determined by applying a discounted cash flow model to the future sales and earnings associated with each intangible asset or is set by contract cost. The amortization period used for definite lived intangible assets is set by contract period or by the period over which the bulk of the discounted cash flow is expected to be generated. We currently believe that we will receive the benefit from the use of the trade names classified as indefinite lived intangible assets indefinitely and they are therefore not amortized.

Licenses and rights are being amortized by the straight-line method over periods ranging from 3 to 20 years and amortization expense is reflected throughout operating expenses.

Aggregate amortization expense of intangible assets for the fiscal years 2009, 2008 and 2007 was \$4,508,000, \$4,700,000 and \$3,974,000.

Estimated amortization expense for the next five fiscal years is approximately \$4,500,000 in 2010, \$4,100,000 in 2011, \$3,800,000 in 2012 and \$3,700,000 in 2013 and 2014. The weighted average amortization period of the intangible assets is 10.3 years.

Goodwill

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

	Food Service	Retail Supermarkets	Restaurant Group	Frozen Beverages	Total
	(in thousands)				
Balance at September 26, 2009	\$23,988	\$ —	\$ 386	\$35,940	\$60,314
Balance at September 27, 2008	\$23,988	\$ —	\$ 386	\$35,940	\$60,314

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

NOTE F — GOODWILL AND INTANGIBLE ASSETS (Continued)

The carrying value of goodwill is determined based on the excess of the purchase price of acquisitions over the estimated fair value of tangible and intangible net assets. Goodwill is not amortized but is evaluated annually by management for impairment. There were no impairment charges in 2009, 2008 or 2007.

NOTE G — LONG-TERM DEBT

In December 2006, we entered into an amended and restated loan agreement with our existing banks which provides for up to a \$50,000,000 revolving credit facility repayable in December 2011, with the availability of repayments without penalty. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. As of September 26, 2009 and September 27, 2008, there were no outstanding balances under the facility.

NOTE H — OBLIGATIONS UNDER CAPITAL LEASES

Obligations under capital leases consist of the following:

	September 26, 2009	September 27, 2008
	(in thousands)	
Capital lease obligations, with interest at 2.6%, payable in monthly installments of \$8,700, through August 2013	\$ 381	\$ 474
Less current portion	96	93
	<u>\$ 285</u>	<u>\$ 381</u>

NOTE I — INCOME TAXES

Income tax expense (benefit) is as follows:

	Fiscal year ended		
	September 26, 2009	September 27, 2008	September 29, 2007
	(in thousands)		
Current			
U.S. Federal	\$18,574	\$11,417	\$15,485
Foreign	706	844	423
State	3,744	2,270	2,581
	<u>23,024</u>	<u>14,531</u>	<u>18,489</u>
Deferred			
U.S. Federal	3,106	2,983	474
Foreign	109	(168)	—
State	658	631	83
	<u>3,873</u>	<u>3,446</u>	<u>557</u>
	<u>\$26,897</u>	<u>\$17,977</u>	<u>\$19,046</u>

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

NOTE I — INCOME TAXES (Continued)

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

	Fiscal year ended		
	September 26, 2009	September 27, 2008	September 29, 2007
	(in thousands)		
Income taxes at statutory rates	\$23,873	\$16,059	\$17,905
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal income tax benefit	2,958	1,918	1,819
Other, net	66	—	(678)
	<u>\$26,897</u>	<u>\$17,977</u>	<u>\$19,046</u>

Deferred tax assets and liabilities consist of the following:

	September 26, 2009	September 27, 2008
		(in thousands)
Deferred tax assets		
Vacation accrual	\$ 1,233	\$ 1,117
Insurance accrual	2,943	2,634
Deferred income	67	105
Allowances	1,902	1,865
Inventory capitalization	499	519
Share-based compensation	1,113	896
Other, net	65	104
	<u>7,822</u>	<u>7,240</u>
Deferred tax liabilities		
Amortization of goodwill and other intangible assets	13,388	11,899
Depreciation of property and equipment	17,793	14,818
Other, net	15	24
	<u>31,196</u>	<u>26,741</u>
	<u>\$23,374</u>	<u>\$19,501</u>

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

The following is a summary of approximate future minimum rental commitments for non-cancelable operating leases with terms of more than one year as of September 26, 2009:

	Plants and Offices	Equipment	Total
		(in thousands)	
2010	\$ 5,008	\$ 4,159	\$ 9,167
2011	4,263	3,543	7,806
2012	3,868	2,219	6,087
2013	3,516	724	4,240
2014	3,357	29	3,386
2015 and thereafter	12,490	—	12,490
	<u>\$32,502</u>	<u>\$10,674</u>	<u>\$43,176</u>

Total rent expense was \$12,856,000, \$12,907,000 and \$13,803,000 for fiscal years 2009, 2008 and 2007, respectively.

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

NOTE J — COMMITMENTS (Continued)**2. Other Commitments**

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

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims incurred basis. Our total recorded liability for all years' claims incurred but not yet paid was \$7,100,000 and \$6,400,000 at September 26, 2009 and September 27, 2008, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 26, 2009 and September 27, 2008, we had outstanding letters of credit totaling \$8,675,000 and \$9,475,000, respectively.

NOTE K — CAPITAL STOCK

In our fiscal year ended September 26, 2009, we purchased and retired 450,597 shares of our common stock at a cost of \$12,510,000 under a million share buyback authorization approved by the Company's Board of Directors in February 2008. Of the shares purchased and retired in 2009, 400,000 shares were purchased at the purchase price of \$27.90 per share from Gerald B. Shreiber, Chairman of the Board, Chief Executive Officer and Director of the Company.

In our 2008 fiscal year ended September 27, 2008, we purchased and retired 135,124 shares of our common stock at a cost of \$3,539,000. The Company did not repurchase any of its common stock in fiscal year 2007.

NOTE L — STOCK OPTIONS

We have a Stock Option Plan (the "Plan"). Pursuant to the Plan, stock options may be granted to officers and our key employees which qualify as incentive stock options as well as stock options which are nonqualified. The exercise price of incentive stock options is at least the fair market value of the common stock on the date of grant. The exercise price for nonqualified options is determined by a committee of the Board of Directors. The options are generally exercisable after three years and expire no later than ten years from date of grant. There were 1,400,000 shares reserved under the Plan; options for 702,000 shares remain unissued as of September 26, 2009. There are options that were issued under an option plan that has since expired that are still outstanding.

We have an Employee Stock Purchase Plan ("ESPP") whereby employees purchase stock by making contributions through payroll deductions for six month periods. The purchase price of the stock is 85% of the lower of the market price of the stock at the beginning of the six-month period or the end of the six-month period. In fiscal years 2009, 2008 and 2007 employees purchased 25,803, 31,366 and 23,140 shares at average purchase prices of \$26.63, \$24.93 and \$30.22, respectively. ESPP expense of \$237,000, \$137,000 and \$146,000 was recognized for fiscal years 2009, 2008 and 2007, respectively.

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

NOTE L — STOCK OPTIONS (Continued)

A summary of the status of our stock option plans as of fiscal years 2009, 2008 and 2007 and the changes during the years ended on those dates is represented below:

	Incentive Stock Options		Nonqualified Stock Options	
	Stock Options Outstanding	Weighted-Average Exercise Price	Stock Options Outstanding	Weighted-Average Exercise Price
Balance, October 1, 2007	729,935	17.93	492,354	13.30
Granted	114,700	41.45	35,000	36.49
Exercised	(151,130)	17.45	(68,000)	6.19
Cancelled	(20,100)	23.70	—	—
Balance, September 29, 2007	673,405	21.87	459,354	16.12
Granted	96,345	33.22	20,000	34.17
Exercised	(111,768)	16.57	(77,000)	9.66
Cancelled	(44,150)	26.36	(5,000)	38.54
Balance, September 27, 2008	613,832	24.29	397,354	18.00
Granted	4,500	32.13	—	—
Exercised	(169,388)	18.73	(71,000)	10.70
Cancelled	(20,000)	26.79	(20,000)	20.02

Balance, September 26, 2009	428,944	\$26.45	306,354	\$19.55
Exercisable Options, September 26, 2009	238,149		236,354	

The weighted-average fair value of incentive options granted during fiscal years ended September 26, 2009, September 27, 2008 and September 29, 2007 was \$7.13, \$7.99 and \$11.98, respectively. The weighted-average fair value of non-qualified stock options granted during the fiscal years ended September 27, 2008 and September 29, 2007 was \$15.21 and \$14.29, respectively. There were no non-qualified options granted during the fiscal year ended September 26, 2009. The total intrinsic value of stock options exercised was \$5.4 million, \$3.2 million and \$5.4 million in fiscal years 2009, 2008 and 2007, respectively.

The following table summarizes information about incentive stock options outstanding at September 26, 2009:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at September 26, 2009	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at September 26, 2009	Weighted- Average Exercise Price
\$ 6.38 – \$ 7.94	47,000	.9 years	\$ 6.57	47,000	\$ 6.57
\$10.60 – \$10.60	92,632	1.9 years	\$10.60	92,632	\$10.60
\$27.42 – \$38.28	194,612	2.2 years	\$31.43	98,517	\$29.70
\$41.50 – \$41.60	94,700	2.2 years	\$41.60	—	\$ —
	<u>428,944</u>			<u>238,149</u>	

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

NOTE L — STOCK OPTIONS (Continued)

The following table summarizes information about nonqualified stock options outstanding at September 26, 2009:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at September 26, 2009	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at September 26, 2009	Weighted- Average Exercise Price
\$ 7.97 – \$10.30	124,000	1.1 years	\$ 9.13	124,000	\$ 9.13
\$19.77 – \$27.42	92,354	3.0 years	\$20.27	92,354	\$20.27
\$29.78 – \$38.81	90,000	7.0 years	\$33.17	20,000	\$29.78
	<u>306,354</u>			<u>236,354</u>	

NOTE M — 401(k) PROFIT-SHARING PLAN

We maintain a 401(k) profit-sharing plan for our employees. Under this plan, we may make discretionary profit-sharing and matching 401(k) contributions. Contributions of \$1,354,000, \$1,411,000 and \$1,333,000 were made in fiscal years 2009, 2008 and 2007, respectively.

NOTE N — CASH FLOW INFORMATION

The following is supplemental cash flow information:

	Fiscal Year Ended		
	September 26, 2009	September 27, 2008	September 29, 2007
	(in thousands)		
Cash paid for:			
Interest	\$ 14	\$ 21	\$ 6
Income taxes	21,345	13,896	17,753
Non cash items:			
Capital leases	\$ —	\$ —	\$ 580

NOTE O — SEGMENT REPORTING

We principally sell our products to the food service and retail supermarket industries. We also distribute our products directly to the consumer through our chain of retail stores referred to as The Restaurant Group. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business and restaurant group because of different distribution and capital requirements. We maintain separate and discrete financial information for the four operating segments mentioned above which is available to our Chief Operating Decision Makers. We have applied no aggregate criteria to any of these operating segments in order to determine reportable segments.

Our four reportable segments are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income (loss). These segments are described below.

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

NOTE O — SEGMENT REPORTING (Continued)

Food Service

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

Retail Supermarkets

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

The Restaurant Group

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

Frozen Beverages

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

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

	Fiscal year ended		
	September 26, 2009	September 27, 2008	September 29, 2007
	(in thousands)		
Sales to external customers:			
Food Service	\$417,753	\$400,194	\$355,764
Retail Supermarket	65,158	57,112	52,131
The Restaurant Group	1,257	1,635	2,766
Frozen Beverages	168,879	170,418	158,240
	<u>\$653,047</u>	<u>\$629,359</u>	<u>\$568,901</u>
Depreciation and Amortization:			
Food Service	\$ 16,530	\$ 16,655	\$ 16,176
Retail Supermarket	—	—	—
The Restaurant Group	33	54	60
Frozen Beverages	11,190	10,761	10,772
	<u>\$ 27,753</u>	<u>\$ 27,470</u>	<u>\$ 27,008</u>

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

NOTE O — SEGMENT REPORTING (Continued)

	Fiscal year ended		
	September 26, 2009	September 27, 2008	September 29, 2007
	(in thousands)		
Operating Income (Loss):			
Food Service	\$ 45,024	\$ 24,784	\$ 33,417
Retail Supermarket	7,442	4,665	(2)
The Restaurant Group	(64)	(140)	31
Frozen Beverages	14,536	14,027	15,134
	<u>\$ 66,938</u>	<u>\$ 43,336</u>	<u>\$ 48,580</u>
Capital Expenditures:			
Food Service	\$ 14,979	\$ 11,898	\$ 12,755
Retail Supermarket	—	—	—
The Restaurant Group	—	—	102
Frozen Beverages	12,211	10,883	9,908
	<u>\$ 27,190</u>	<u>\$ 22,781</u>	<u>\$ 22,765</u>
Assets:			
Food Service	\$309,988	\$277,481	\$252,843
Retail Supermarket	—	—	—
The Restaurant Group	557	629	690
Frozen Beverages	129,282	130,298	126,755
	<u>\$439,827</u>	<u>\$408,408</u>	<u>\$380,288</u>

NOTE P — QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal Year Ended September 26, 2009			
	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Diluted Share (1)
	(in thousands, except per share information)			
1 st Quarter	\$141,142	\$ 40,682	\$ 4,319	\$.23
2 nd Quarter	149,352	45,377	7,244	.39
3 rd Quarter	179,761	61,034	14,929	.80
4 th Quarter	182,792	61,751	14,820	.79
Total	<u>\$653,047</u>	<u>\$208,844</u>	<u>\$41,312</u>	<u>\$ 2.21</u>

	Fiscal Year Ended September 27, 2008			
	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Diluted Share (1)
	(in thousands, except per share information)			
1 st Quarter	\$130,898	\$ 35,387	\$ 1,897	\$.10
2 nd Quarter	144,229	40,400	3,998	.21
3 rd Quarter	176,839	55,752	10,820	.57
4 th Quarter	177,393	55,368	11,193	.59
Total	<u>\$629,359</u>	<u>\$186,907</u>	<u>\$27,908</u>	<u>\$ 1.47</u>

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

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SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

<u>Year</u>	<u>Description</u>	<u>Opening Balance</u>	<u>Charged to Expense</u>	<u>Deductions</u>	<u>Closing Balance</u>
2009	Allowance for doubtful account	\$ 926,000	\$ 492,000	\$ 795,000 (1)	\$ 623,000
2008	Allowance for doubtful accounts	\$1,052,000	\$ 502,000	\$ 628,000 (1)	\$ 926,000
2007	Allowance for doubtful accounts	\$ 963,000	\$ 189,000	\$ 100,000 (1)	\$1,052,000
2009	Inventory Reserve	\$3,817,000	\$2,036,000	\$1,644,000 (2)	\$4,209,000
2008	Inventory Reserve	\$2,864,000	\$3,149,000	\$2,196,000 (2)	\$3,817,000
2007	Inventory Reserve	\$2,330,000	\$1,911,000	\$1,377,000 (2)	\$2,864,000

(1) Write-off of uncollectible accounts receivable.

(2) Disposals of obsolete inventory.

INDUSTRIAL LEASE AGREEMENT (GROSS)

THIS LEASE dated the 15th day of July 2009, between THE BLOOM ORGANIZATION OF SOUTH JERSEY, LLC, Bloom Court/Suite 106, 1300 Route 73, Mount Laurel, New Jersey 08054, hereinafter referred to as the "Landlord", and J & J SNACK FOODS SALES CORPORATION, 6000 Central Highway, Pennsauken, New Jersey 08110, hereinafter referred to as the "Tenant".

WITNESSETH: That the Landlord hereby demises and leases unto the Tenant, and the Tenant hereby hires and takes from the Landlord for the term and upon the rentals hereinafter specified, the premises described as follows:

Premises Square Footage 101,200.
Street Address 5092-5098 Central Highway.
Town or Township Pennsauken.
County Camden State/Zip New Jersey 08109.

Term The term of this Lease shall be for ten (10) years, and commence on February 1, 2012 and terminate on January 31, 2022.

Rent The rent for the entire Term of the Lease shall be \$5,313,000.00.

Payment of Rent Tenant shall pay to Landlord, without set off or deduction, at its offices (1300 Route 73, Suite 106, Mount Laurel, New Jersey 08054), or such other place as landlord directs, as yearly minimum rent, the sum of \$ * payable in equal monthly installments of \$ * on the first business day of each month during the term of this Lease.

* Years 1 – 5: \$506,000.00 gross per year; \$42,166.67 gross per month.
Years 6 – 10: \$556,600.00 gross per year; \$46,383.33 gross per month.

Payable at the office of the Landlord as provided above or as may be otherwise directed by the Landlord in writing.

THE ABOVE LETTING IS UPON THE FOLLOWING CONDITIONS:

Peaceful Possession First- The Landlord covenants that the Tenant, on paying the said rental and performing the covenants and conditions in this Lease contained, shall and may peaceably and quietly have, hold and enjoy the demised premises for the term aforesaid.

Purpose Second- The Tenant covenants and agrees to use the demised premises as warehousing and manufacturing of food products only and agrees not to use or permit the premises to be used for any other purpose without the prior written consent of the Landlord endorsed hereon. No machinery, equipment or other thing that could cause unusual vibration, noise, odors or pollutants shall be installed or placed therein. Tenant acknowledges and agrees that there have been no representations or warranties made by or on behalf of Landlord with respect to the premises or the building or with respect to the suitability of either for the conduct of Tenant's business. The taking of possession of premises by Tenant shall conclusively establish that the premises and the building were at such time in satisfactory condition, order and repair. Tenant shall not subject any portion of the floor to greater loading than that portion of the premises is designed to carry. Tenant represents and warrants that its SIC code is 2050. Should any change in this classification occur during the term of this Lease, Tenant shall promptly notify Landlord in writing specifying the new classification.

Default

Third- The occurrence of any of the following shall constitute a material default and breach of the Lease by Tenant:

- (a) failure of Tenant to accept possession of the Premises within thirty (30) days after the date of commencement of the Lease term;
- (b) Tenant shall not vacate nor abandon the Leased Premises at any time during the Lease Term, nor permit the Leased Premises to remain unoccupied for a period longer than ten (10) consecutive days during the Lease Term. If Tenant shall abandon, vacate, or surrender the Leased Premises, or be dispossessed by process of law or otherwise, any personal property belonging to Tenant or property in the custody of Tenant on the Leased Premise shall, at the option of Landlord, be deemed abandoned and may be used, sold without public notice or auction, destroyed or otherwise disposed of by Landlord. Tenant specifically waives the provisions of N.J.S.A. 2A:18-72, et seq..
- (c) a failure by Tenant to pay, when due, any installment of rent hereunder or any additional rent or any such other sum herein required to be paid by Tenant;
- (d) failure by Tenant to observe and perform any other provisions or covenants of the Lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant provided, however, that if the nature of the default is such that the same cannot reasonably be cured with such thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;
- (e) the filing of a petition by or against Tenant for adjudication as a bankrupt or insolvent or for its reorganization or for the appointment pursuant to any local, state or federal bankruptcy or insolvency law of a receiver or trustee of Tenant's property; or an assignment by Tenant for the benefit of creditors;

Remedies

Upon the occurrence of any such event of default set forth above:

- (f) Landlord may (but shall not be required to) perform for the account of Tenant any such default of Tenant and immediately recover as additional rent any expenditure made and the amount of any obligations incurred in connection therewith, plus *twelve percent (12%)* per annum interest from the date of such expenditure, *provided Landlord gave Tenant thirty (30) days written notice to cure such default*;
- (g) Landlord may accelerate all rent and additional rent due for the balance of the term of this Lease *and such sum less the fair rental value for the balance of the term, both discounted to present value at eight percent (8%) per annum shall be payable by Tenant*, and declare the same to be immediately due and payable;
- (h) Landlord may declare by notice in writing to Tenant that the Lease, including any renewal options has been terminated and upon receipt of such notice, Tenant (if it has not already done so) shall immediately vacate the premises and the Landlord thereafter shall have the right to recover all damages caused by the breach of this Lease by Tenant, including any future loss of rent and the costs of reletting including redecorating expenses, repairs, leasing commissions and the like.

(i) In the event Landlord or Tenant provides notice of termination of this Lease in accordance with the twelfth paragraph hereinbelow and Tenant fails to vacate the Premises thereafter upon the expiration of the original term or any extended term hereunder, Tenant shall pay to Landlord 150% of the monthly rental payment and operating costs due and payable for the month in which this Lease expired or terminated as liquidated damages or Landlord may, at its sole discretion, pursue any other remedy at law or in equity.

(j) In addition to all remedies provided herein or by law, Tenant shall pay to Landlord reasonable attorneys' fees and court costs incurred as a result of such breach.

Sub-letting
And
Assignment

Fourth- (a) The Tenant shall not sublet the demised premises nor any portion thereof, nor shall this Lease be assigned by the Tenant without the prior written consent of the Landlord endorsed hereon, which consent shall not be unreasonably withheld. At its sole option, Landlord may require the sub-tenant or assignee to enter into a written agreement with Landlord whereby it agrees to be bound by all terms and conditions of the Lease. Tenant shall remain liable for all covenants and conditions of this Lease;

(b) as a condition precedent to Tenant's right to sub-lease the premises or to assign this Lease, Tenant shall, at Tenant's own expense, first comply with the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and fulfill all of Tenant's environmental obligations under this Lease. If this condition shall not be satisfied, then Landlord shall have the right to withhold consent to a sub-lease or assignment;

(c) in the event of a sale or transfer of a majority ownership interest in Tenant, such sale or transfer shall be deemed an assignment requiring the consent of Landlord, *only if the sale or transfer is to an entity with a net worth less than Tenant and there are no defaults under the Lease Agreement. Landlord's consent shall not be unreasonably withheld.*

(d) Any assignment or subletting of the Demised Premises in violation of the terms and conditions hereinabove shall be deemed void.

Conditions of
Premises;
Repairs

Fifth- The Tenant has or will examine the plans for the demised premises, and accepts it in its present condition (except as otherwise expressly provided herein) and without any representations on the part of the Landlord or its agents. The Tenant shall keep the Demised Premises in good condition and shall redecorate, paint and renovate the said premises as may be necessary to keep them in repair and good Improvements appearance. The Tenant shall not make any alterations, additions or improvements to said Premises without the prior written consent of the Landlord. All erections, alterations and improvements, whether temporary or permanent in character, which may be made upon the premises either by the Landlord or the Tenant, except furniture or movable trade fixtures installed at the expense of the Tenant, shall, at the option of the Landlord, be the property of the Landlord and shall remain upon and, be surrendered with the premises as part thereof at the termination of this Lease, without compensation to the Tenant. Upon the expiration of or sooner termination of the tenancy hereby created, Tenant shall peaceably surrender the Premises in broom clean condition, reasonable wear and tear excepted. At such time, Tenant shall surrender all keys for the Premises to Landlord at the place then fixed for the payment of rent and shall inform Landlord of all combinations on locks, safes and vaults, if any, in the Premises. Tenant shall remove all its trade fixtures, phone systems, alarm systems, wiring, cables and all other similar systems and wiring before surrendering the Premises and shall repair any damage to the Premises caused thereby. Only those improvements, modifications or alterations which Landlord notifies Tenant in writing Landlord wishes to retain shall not be removed. Any property of Tenant left at the Premises at the expiration or sooner termination of this Lease shall be deemed abandoned and Landlord may dispose of such property without further notice to Tenant and at the sole cost and expense of Tenant. Tenant's

Alterations and
Improvements

Sanitation Inflammable Material	obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease. The Tenant further agrees to keep said premises and all parts thereof in a clean and sanitary condition, and free from trash, inflammable material, vermin and other objectionable matter. If this Lease covers premises all or a part of which are on the ground floor, the Tenant further agrees to keep the sidewalks in front of such ground floor portion of the demised premises clean and free of obstructions, snow and ice. All labor and materials furnished by or on behalf of Tenant shall be first class and by contractors approved in writing by Landlord and shall be accomplished at times so as not to disturb the activities of other tenants. Tenant shall not install any alterations, additions or improvements in such a manner as to compromise the structural integrity of the premises or any part thereof. The labor and materials shall be installed in complete conformity to all applicable statutes, codes, ordinances and regulations.
Sidewalks	
Mechanics' Liens	Sixth- In the event that any mechanics' lien or notice of intention is filed against the premises as a result of alterations, additions or improvements made by the Tenant, the Landlord, at its option, after <i>ninety (90)</i> days notice to the Tenant, may pay the said lien, without inquiring into the validity thereof, and the Tenant shall forthwith reimburse the Landlord the total expense incurred by the Landlord in discharging the said lien, as additional rent hereunder. Landlord agrees that Tenant may obtain a discharge of any mechanics' lien at its option, but Tenant must fully indemnify Landlord such indemnification to include payment for all legal fees.
Glass	Seventh- Tenant shall self-insure all glass on the Premises, the Tenant shall repair the said damage or replace or restore any destroyed <i>glass</i> of the premises, as speedily as possible, at the Tenant's own cost and expense.
Liability of the Landlord	Eighth- <i>No officer, director and stockholder, member, partner, principal (disclosed or undisclosed) representative or agent of the Landlord shall have personal liability under any of the terms, conditions or covenants of this Lease and Tenant shall look solely to the equity of the Landlord in the building of which the Premises form a part for the satisfaction of any claim, remedy or cause of action accruing to Tenant as a result of the breach of any action of this Lease by Landlord.</i>
Access of Landlord	Ninth- Landlord and Landlord's agents and representatives, may, at any reasonable time, enter the Leased Premises to examine them, to make alterations or repairs thereto or for any other purposes which Landlord considers necessary or advisable; however, in the case of any emergency, Landlord and its agents may enter the Premises at any time and in any manner. Tenant shall allow the leased premises to be exhibited by Landlord: (i) at any reasonable time to representatives of lending institutions or to prospective purchasers of the building or leased premises, and (ii) at any reasonable time within six months prior to the end of the term to persons who may be interested in leasing the leased premises. Landlord may place a suitable "For Sale" sign upon the leased premises six months prior to the expiration of the demised lease term. Landlord and its agents reserve the right and shall be permitted reasonable access to the leased premises to install facilities within and through the Leased Premises and to install and service any systems deemed advisable to provide services or utilities to any tenant in the building.
Services And Utilities	Tenth- Tenant shall be responsible and pay for the following services and utilities furnished to the demised premises: <ul style="list-style-type: none"> -Electric, Fuel Oil and/or Gas, & Hot Water (utility) -Water & Sewer Service (utility)

- Fire Service Charge for Fire Sprinkler System (utility)
- Plumbing Mechanical & Maintenance
- Heating Mechanical & Maintenance Contract*
- Air Conditioning Mechanical & Maintenance Contract*
- Overhead Door & Dockbumper Maintenance
- Interior Building Maintenance (including light bulbs, emergency and exit lights)
- Exterior Building Maintenance (*as a result of damaged caused by Tenant or Tenant's agents*)
- Trash Removal
- Janitorial Service

Please be advised that as part of your responsibility for all repairs and maintenance of the mechanical equipment, included is all the duct work, fans, roof stacks and replacement of equipment, if necessary. *Landlord shall be responsible for maintaining all structural portions of the Leased Premises and shall also maintain exterior adjoining areas in a clean and orderly condition. The exterior and structural parts of the Leased Premises are defined to include: (a) outside walls; (b) the roof and roof covering; (c) the foundations; (d) floor slab and floor; (e) gutters and downspouts; (f) marquees; (g) all structural members; and (h) all wiring, conduits and other utility and sprinkler fixtures and equipment, including water pipes and electrical systems located in walls or floors of the building, together with those serving the common facilities which are located outside the walls of the building, and those serving any other premises, or serving premises in addition to those of the Leased Premises which are located anywhere in the premises.*

* Copy of contract to be submitted to Landlord within the first thirty (30) days of occupancy.

The following are included in the rent. Currently, the building common area maintenance charges are \$.30 per square foot; the Tenant's prorata share of the building charges is \$2,530.00 per month. Tenant is responsible for any increases over this amount, or credited for any overpayment; Landlord will invoice Tenant for their prorata share of any increases annually.

- Driveway, Parking Lots & Sidewalk Repair
- Snow Plowing
- Roof Maintenance (*non-capital*)

Damage and
Destruction
to Premises

Eleventh- In the event of the destruction of the Demised Premises or of Destruction the building containing the same Premises by fire, explosion, the elements or otherwise during the term hereby created or previous thereto, or such partial destruction thereof, as to render the Premises wholly untenable or unfit for occupancy, or should the demised Premises be so badly injured that the same cannot be repaired within one hundred twenty (120) days from the happening to the Demised Premises of such destruction and injury, then and in such case the term hereby created shall, at the option of either Landlord or Tenant, cease and become null and void from the date of such damage or destruction, and the Tenant shall immediately surrender said premises and all the Tenant's interest *excluding Tenant's personal property, fixtures and furniture*, therein to the Landlord, and shall pay rent only to the time of such damage or destruction. In such event the terminating party shall notify the other party in writing of its intent to terminate the Lease within forty-five (45) days of the damage or destruction. Should the demised premises be rendered untenable and unfit for occupancy, but yet be repairable within ninety days from the happening of said injury, the Landlord may enter and repair the same with reasonable speed, and the rent shall not accrue after said injury or while repairs are being made, but shall recommence immediately after said repairs shall be completed. But if the premises shall be so slightly injured as not to be rendered untenable and unfit for occupancy, then the Landlord agrees to repair the same with reasonable promptness and in that case the rent accrued and accruing shall not cease or determine. The Tenant shall immediately notify the Landlord in case of fire or other damage to the Premises.

Notices	Twelfth- All notice and demands, legal or otherwise, incidental to this lease, or the occupation of the Demised Premises, shall be in writing. If the Landlord or its agent desires to give or serve upon the Tenant any notice or demand, it shall send a copy thereof by certified mail, return receipt requested, addressed to the Tenant at the Demised Premises or to leave a copy thereof at the Premises. Notices from the Tenant to the Landlord shall be sent by certified mail, return receipt requested to the Landlord at the place hereinbefore designated for the payment of rent, or to such party or place as the Landlord may from time to time designate in writing. In the event any notice sent certified mail, return receipt requested, is returned marked "unclaimed" such notice shall be sent by regular mail and shall be sufficient pursuant to the terms set forth herein. The place and method of notification herein may not be changed orally.
Termination Notice/Renewal	Either party hereto may terminate this Lease at the expiration of the said term, or extended term, by giving to the other party written notice thereof at least ninety (90) days prior to such expiration, but in default of such notice, this Lease, as same may be amended from time to time, with all the conditions and covenants thereof, shall renew for a term of one year, with the exception that the rent shall be equivalent to the rent paid during the prior twelve (12) month period plus a monthly increase of 1/12th of the percentage increase in the Consumer Price Index of the last month of the last term of the Lease divided by the Consumer Price Index as of the first month of the last term of the Lease; which increase shall continue for the new rental term of one year and so on from year to year thereafter together with an additional Consumer Price Index increase as described hereinabove, until terminated by either party hereto, giving to the other at least ninety (90) days prior written notice of intention to terminate said Lease at the expiration of the then current term. PROVIDED HOWEVER, that if Landlord shall have given such written notice prior to the expiration of any term hereby created of its intention to change the terms and conditions of this Lease, and Tenant shall hold over after the expiration of the time mentioned in such notice, Tenant shall be considered a Tenant under the terms and conditions mentioned in such notice for such further period as Tenant may remain in possession of the Premises or until similar subsequent notice be given by Landlord again changing the said terms and conditions.
Eminent Domain Condemnation	Thirteenth- If the property or any part thereof wherein the Demised Premises are located shall be taken by public or quasi-public authority under any power of eminent domain or condemnation, this lease, at the option of the Landlord, shall forthwith terminate and the Tenant shall have no claim or interest in or to any award of damages for such taking.
Delivery of Lease	Fourteenth- No rights are to be conferred upon the Tenant until this Lease has been signed by the Landlord, and an executed copy of the Lease has been delivered to the Tenant.
Lease Binding on Heirs Successors, Etc	Fifteenth- All of the terms, covenants and conditions of this Lease shall, inure to the benefit of and be binding upon the respective heirs, Successors, Etc. executors, administrators, successors and assigns of the parties hereto.
Delays	Sixteenth- This Lease and the obligation of Tenant to pay rent hereunder and perform all the other covenants and agreements hereunder on part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make, or is delayed in making any repairs, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of governmental preemption in connection with the United States of America or in connection with any rule, order or regulation of any department or subdivision of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by any war, National Emergency or Governmental regulations. Landlord agrees to use due diligence to supply any service or make any repairs, additions, alterations or

decorations.

Insurance: Fire & Extended Coverage

Seventeenth- Fire and Extended Coverage Landlord shall obtain and maintain fire and extended coverage insurance with companies and in amounts acceptable to Landlord in its sole discretion and/or its mortgagee(s). Tenant shall be liable for its pro rata share of all insurance coverage as aforesaid, which Tenant shall pay in accordance with the Twenty-second Paragraph of this Lease described hereinbelow. If during the term of this Lease or any Lease or any additions or extensions thereto it shall become either impossible or more costly for Landlord to obtain acceptable insurance because of the use or character to which the Demised Premises, or any portion thereof are utilized, then the Tenant shall immediately cease and desist the operations causing said increase or impossibility of obtaining said insurance or remove any materials causing said increase or impossibility.

If it is determined that the materials, use or process are acceptable to Landlord, (and Landlord's mortgagee), but will result in higher than normal insurance rates, then Tenant shall have the option of discontinuing said operations, removing the materials or any other matter causing said increase, or paying for the total cost of the increased insurance amounts to Landlord. It is expressly understood and agreed that the liability of Tenant for the payment of any increased insurance amounts in a multi-tenant building shall be for the entire building of which the Demised Premises are a part, and may also include liability to any or all other tenants of the building for any increase caused in their respective insurances, such as business interruption or contents insurance. Tenant shall be obligated to pay such aforementioned increases to Landlord within ten (10) days after invoiced for same.

Liability Insurance

Eighteenth- Liability Insurance: Tenant, at all times during the term of this Lease, at its own cost and expense, Tenant shall maintain comprehensive general liability insurance with bodily injury and property damage limits of not less than One Million Dollars (\$1,000,000.00). A certificate of such insurance shall be delivered to Landlord and Landlord shall be named on said policies as an additional insured as respects the Premises. The Certificate shall also contain provisions for a thirty-day notice prior to cancellation, reduction of coverage, or other material change in the policy. Insurance shall be with companies acceptable to the Landlord. Tenant further covenants with Landlord to protect, indemnify and hold Landlord harmless from and against any and all claims, demands and causes of action, including attorney fees, of any nature whatsoever for injury or death or persons or loss of or damage to property occurring on the Premises or in any manner growing out of or connected with Tenant's use and occupancy of the Premises except damage or injury occasioned by the gross negligence or willful misconduct *or any act that damages the Premise* by Landlord, its agents, servants or employees.

Waiver of Subrogation

Nineteenth- Landlord and Tenant hereby mutually waive any right of subrogation which either may have against the other for any loss, damage or claim which that party may have insurance against.

Waiver of Claims

Twentieth- Except as otherwise in this Lease provided, and except for Landlord's gross negligence or willful misconduct, Landlord and Landlord's agents, servants and employees shall not be liable for, and Tenant hereby releases and relieves Landlord, its agents, servants, employees from, all liability in connection with any and all loss of life, personal injury, damage to or loss of property, or loss or interruption of business occurring to Tenant, its agents, servants, employees, invitees, licensees, visitors, or any other person, firm corporation or entity, in or about or arising out of the Premises, from, without limitation, (a) any fire, other casualty, accident occurrence or condition in or upon the Premises, the Building or the Project; (b) any defect in or failure of (i) plumbing, sprinkling, electrical, heating or air conditioning systems or equipment, or any other heating or air conditioning systems or equipment, or any other systems and equipment of the Premises and the Building, and (ii) the elevators, stairways, railings or walkways of the Building; the elevators, stairways, railings or walkways of the Building; (c) any steam, gas, oil, water,

rain or snow that may leak into, issue or flow from any part of the Premises or the Building from the drains, pipes, or plumbing, sewer or other installation of same, or from any other place or quarter; (d) the breaking or disrepair of any installations and equipment; (e) the falling of any fixture or any wall or ceiling materials; (f) broken glass; (g) latent or patent defects; (h) the exercise of any rights by Landlord under the terms and conditions of this Lease; (i) any acts or omissions of the other tenants or occupants of the Building or of nearby buildings; (j) any acts or omissions of other persons; and (1) theft, acts of God, public enemy, injunction, riot, strike, insurrection, war, court order or any order of any governmental authorities having jurisdiction over the Premises.

Security	Twenty-first- The Tenant shall this day deposit with Landlord the sum of \$-0- as security for the payment of the rent hereunder and the full and faithful performance by the Tenant of the terms, covenants and conditions on the part of the Tenant to be performed. Said sum shall be returned to the Tenant without interest only after the expiration of the term hereof, provided that the Tenant has fully and faithfully performed all such covenants and conditions and is not in arrears in rent. During the term hereof, the Landlord may, if the Landlord so elects, have recourse to such security, to make good any default by the Tenant, in which event the Tenant shall, on demand, promptly restore said security to its original amount. Liability to repay said security to the Tenant shall run with the reversion and title to said Premises, whether any change in ownership thereof be by voluntary alienation or as the result of judicial sale, foreclosure or other proceedings, or the exercise of a right of taking or entry by any mortgagee. The Landlord shall assign or transfer said security, for the benefit of the Tenant, to any subsequent owner or holder of the reversion or title to said Premises, in which case the assignee shall become liable for the repayment thereof as herein provided, and the assignor shall be deemed to be released by the Tenant from all liability to return such security. This provision shall be applicable to every alienation or change in title and shall in no way be deemed to permit the Landlord to retain the security after termination of the Landlord's ownership of the reversion or title. The Tenant shall not mortgage, encumber or assign said security without the written consent of the Landlord. Under no circumstances shall the security deposit be considered or used as the rental payment for any month, including the last month, which may be due under the terms of this Lease
Taxes, Insurance and Assessments	Twenty-second- Landlord shall pay for all real estate taxes, insurance charges and assessments levied upon the Demised Premises. Tenant shall be responsible for increases in such taxes, fire insurance and assessments over the <u>1991</u> base amount <i>for Real Estate Taxes and 2009 for Fire Insurance and Assessments</i> .
Late Charges	Twenty-third- Tenant hereby agrees to pay to Landlord a late charge of <i>five percent (5%)</i> per month in the event any payment of rent or additional rent is not paid when due. Tenant shall pay to Landlord said amount within five (5) days of receipt of notice from Landlord of the amount due.
Estoppel Certificate	Twenty-fourth- Tenant shall, at any time and from time to time, within ten (10) days after written request by Landlord, execute, acknowledge and deliver to Landlord, or its mortgagee or trustee, a statement in writing duly executed by Tenant (i) certifying that this Lease is in full force and effect (if that be the case) without modification or amendment (or, if there have been any modifications or amendments that this Lease is in full force and effect as modified and amended and setting forth the modifications and amendments), (ii) certifying the date to which annual basic rent and additional rent have been paid, and (iii) either certifying that to the knowledge of the Tenant no default exists under this Lease or specifying each such default; it being the intention and agreement of Landlord and Tenant that any such statement by Tenant may be relied upon by a respective purchaser or a prospective or current mortgagee of the Building, or by others, in any matter affecting the Premises.

Twenty-fifth- (a) The term “Environmental Law” shall mean any Federal, State or local, statute, act, law, ordinance, rule, regulation or order pertaining to the environment whether now or hereafter enacted or amended, and whether or not listed in this definition such as, but not limited to the following:

- (i) The Comprehensive Environmental Response Compensation and Liability Act (“CERCLA”), 42 U.S.C.. Section 9601 as amended by the Superfund Amendments and Reauthorization Act of 1986 (Pub. L. 98-489, 100 Stat. 1613, 1986) (SARA”);
 - (ii) The Resource Conservation and Recovery Act, 42 U.S.C. Section 6801 et seq. (“RCRA”);
 - (iii) Toxic Substances Control Act, 15 U.S.C. Section 2601 (“TSCA”);
 - (iv) The Clean Water Act, 33 U.S.C. Section 407 et. seq. (“CWA”);
 - (v) The Clean Air Act, 42 U.S.C. Section 7901 et. seq.;
 - (vi) The Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et. seq.;
 - (vii) Any similar statute, law, ordinance, rule, regulation or order adopted in the jurisdiction in which the Leased Premises is located at any time whether before or after the execution of this Lease.
- (b) “Hazardous Substance” shall mean any hazardous or toxic substance as defined in any Environmental Law or in any rule, regulation or order issued pursuant to any Environmental Law.
- (c) “Enforcement Agency” shall mean the Environmental Protection Agency, New Jersey Department of Environmental Protection (“DEP”) and any other state, county, municipal or other agency having authority to enforce any Environmental Law.
- (d) All alterations made in the Leased Premises by Landlord, Tenant or any other tenant of the Leased Premises shall be in accordance with and shall comply with all Environmental Laws and the requirements of any Enforcement Agencies.
- (e) Tenant shall not intentionally or unintentionally use, store, handle, spill or discharge any Hazardous Substance at or in the vicinity of the Leased Premises, *other than those used in the ordinary cause of business in it’s offices.*
- (f) Tenant represents that its SIC number is 2050. At any time during the term of this Lease, Tenant shall supply to Landlord, *if the Landlord makes application to any government agency requesting the information*, affidavits of an officer of Tenant

setting forth Tenant's SIC number and describing in detail the operations and processes undertaken by Tenant at the Leased Premises. Such affidavits shall include a certification that no Hazardous Substance is generated, used, stored, handled or disposed of at the Leased Premises or shall state the nature of any such substance and the methods used in handling the same in reasonable detail. Such affidavits shall be delivered to Landlord within ten (10) days after request therefore.

(g) Within ten (10) days after request therefore, Tenant shall provide all information requested from time to time by Landlord, or by an Enforcement Agency for the preparation of notices, submissions or affidavits (including, without limitation, Non-applicability Affidavit, de Minimis Quality Exemption Application, Limited Conveyance Application or Administrative Consent Order). Within ten (10) days after request therefore, Tenant shall executed and deliver any document reasonably required in order to comply with any Environmental Law.

(h) Tenant shall promptly deliver to Landlord copies of all notices made by Tenant to, or received by Tenant from, any Enforcement Agency or from the United States Occupational Safety and Health Administration concerning environmental matters or Hazardous Substances at the Leased Premises.

(i) At any time throughout the term of this Lease and any extension thereof, Landlord may cause an inspection to be made of the Leased Premises and its surrounding area for the purpose of determining whether any Hazardous Substance is present thereon.

(j) Tenant shall indemnify, defend and hold Landlord harmless of and from any and all claims arising by reason of any violation *during the time of Tenant's occupancy and use of the Premises* by Tenant of the provisions of this Section and this indemnity shall survive expiration or other termination of this Lease.

Time of the Essence	Twenty-sixth- Time is of the essence of each term and provision of this Lease.
Waiver	Twenty-seventh- The waiver by Landlord of any breach of any term, covenant, or condition herein contained by Tenant, shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any prior or preceding breach of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such prior or preceding breach at the time of acceptance of such rent.
Compliance With All Laws	Twenty-eighth- Tenant shall be responsible for compliance during the term of this Lease and all subsequent renewals thereof, with all federal, state and local statutes, laws, ordinances, rules, regulations and any directives of any governmental or municipal agencies or authorities, their departments, bureaus and sub-divisions, concerning or affecting the Premises, their use and occupancy, for the correction, prevention and abatements of nuisances, violations or other grievances in, upon or connected with all orders, regulations, requirements and directives of any such departments, agencies or authorities, all such compliance at the Tenant's own efforts and expense.
Cumulative Remedies	Twenty-ninth- All rights and remedies provided for herein or otherwise existing at law or in equity, are cumulative and the exercise of one or more rights or remedies by Landlord shall not preclude or waive its right to the exercise of any or all others.

Waiver Of Right To Trial By Jury	Thirtieth- Tenant hereby waives its right or entitlement to a trial by jury in any legal proceeding involving, directly or indirectly, any matter (whether sounding in tort, contract or otherwise) in any way arising out of or related to this Lease or the relationship evidenced hereby. This provision is a material inducement for Landlord to enter into, accept or rely upon this Lease.
Subordination	Thirty-first- All mortgages affecting the property now existing or hereinafter entered into have priority over this Lease. Tenant agrees to execute all documents necessary to give any mortgage priority over this Lease.
Indemnification	Thirty-second- Tenant shall indemnify and defend Landlord and save it harmless from and against all claims, suits, actions, damages, judgements, liabilities, fines, penalties, and expense for loss of life, personal injury or damage to property <i>unless caused by Landlord's negligent acts</i> (1) arising from or of any occurrences within Leased Premises except in the event of Landlord's gross negligence or willful misconduct or (2) by reason of the occupancy or use of the Leased Premises or any part of Entire Premises by Tenant or (3) occasioned wholly or in part by any act or omission of Tenant or breach of this Lease by Tenant or by its agents, contractors, customers, employees, servants, lessees or concessionaires. If Landlord shall be made a party to any litigation commenced by or against Tenant or by any third party and connected in any way with this Lease or Tenant's use or occupancy of Leased Premises, Tenant shall indemnify and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Landlord in connection with such litigation, <i>except as per (1), (2) and (3) above</i> .
Accord and Satisfaction	Thirty-third- No acceptance by Landlord of an amount less than the monthly rent and other payments stipulated to be due under this Lease shall be deemed to be other than a payment on account of the earliest such rent or other payments then due or in arrears nor shall any endorsement or statement on any check or letter accompanying any such payment be deemed an Accord and Satisfaction. Landlord may accept any check for payment by Tenant without prejudice to Landlord's right to recover the remainder of any rent or other payment then in arrears and Landlord may pursue any other remedy provided in this Lease. No acceptance by Landlord of any payment of rent or other sum by Tenant shall be deemed a waiver of any of the obligations of Tenant under this Lease.
Recording	Thirty-fourth- Tenant shall not Record this Lease without the written consent of Landlord.
Certificate of Occupancy	Thirty-fifth- Landlord shall obtain at Tenant's expense a Certificate of Occupancy for this Lease. The cost of the Certificate of Occupancy is \$150.00, to be paid by Tenant to Landlord at the signing of this Lease.
Chairmats	Thirty-sixth- Landlord shall require Tenant to use chairmats where necessary on all carpeted areas in order to protect the carpeting from damage.
Relocation	

Exterior Storage	Thirty-eighth- Tenant shall be prohibited from storing pallets, trash or debris on the exterior of the Premise (other than trash dumpsters). Upon the request of the Landlord, Tenant shall remove all pallets, trash and debris immediately. In the event Tenant does not comply, Landlord shall have the option to clean the area and charge Tenant all expenses, including but not limited to labor and dumping fees, to complete the clean-up.
Internet Connection	Thirty-ninth- Landlord understands Tenant may have an Internet Connection installed by a professional contractor. Prior to installation, Tenant or Tenants installer must get approval from Landlord, in writing, for the location of the equipment and wiring; which approval shall not be unreasonably withheld. Tenant shall, at its sole cost and expense, be responsible for properly insuring its equipment and wiring as well as the repair of any portion of the property that is damaged due to the installation, usage, maintenance or removal of the equipment and wiring during the lease term. Landlord shall not be responsible for any damage to Tenant's equipment and wiring. At the end of the Lease term, Tenant shall be responsible for removal of the equipment and wiring and to return the premises to its original condition.
Improvements	Fortieth- Tenant shall continue leasing unit in "As Is" condition.
Signs	Forty-first- Tenant shall be required, at it's sole cost and expense, to install an exterior sign consistent with the type used by all other tenants of the project. Landlord shall provide Tenant with the sign specifications. Tenant shall not place any signs on the doors and/or windows. In addition, Landlord shall install Tenant's name on all directory signs at Tenant's expense. All signs must be approved in advance by Landlord. Tenant shall not place or erect any signs, decorative devices, awnings, canopies or other advertising matter on Leased Premises without the prior written consent of Landlord.
Right of First Refusal	Forty-second- While this Lease is in full force and effect, and provided Tenant is not in default of any of the <i>material</i> terms, covenants, and conditions of this Lease Agreement, Landlord grants to Tenant the Right of First Refusal to purchase 5090-5098 Central Highway, Pennsauken, New Jersey. Upon Landlord's receipt of a bona fide offer to purchase 5090-5098 Central Highway, Landlord shall notify Tenant of such offer and Tenant shall have <i>ten (10) business</i> days in which to execute an Agreement of Sale under the same terms and conditions as the bona fide offer. Once Tenant has waived its Right of First Refusal to purchase said space, Tenant's Right of First Refusal shall be voided and of no further effect, <i>unless Tenant did not exercise it's Right of First Refusal and the Buyer did not close and complete the transaction that required notice.</i>
Renewal Option	<p>Forty-third- While the Lease is in full force and effect, and provided Tenant is not in default of any of the terms and conditions of the Lease, Tenant shall have the option to renew the Lease for an additional term of <i>ten (10) years</i> under the same terms and conditions, with the exception that the monthly rental shall as follows:</p> <p><i>Years 1 – 5: \$600,000.00 gross per year; \$50,000.00 gross per month.</i></p> <p><i>Years 6 – 10: \$650,000.00 gross per year; \$54,166.67 gross per month.</i></p> <p><i>Tenant shall give written notice of their intention to exercise the option at least one hundred and twenty (120) days prior to the expiration of the current Lease.</i></p>

Option to Purchase

Forty-fourth- While the Lease is in full force and effect, and provided Tenant is not in default of any of the terms and conditions of the Lease, Tenant shall have the option at any time during the first twelve (12) months from the date of this Lease (_____) to purchase 5090-5098 Central Highway, Pennsauken, New Jersey by giving the Landlord written notice. Closing must take place within the twelve (12) month period specified above. If Tenant exercises the option, Tenant would purchase the Premise known as 5090-5098 Central Highway, consisting of 27,564 square feet (5090 Central Highway) and 101,200 square feet (5092-5098 Central Highway) for a total of 128,764 square feet, for \$5,794,380. After Tenant notifies Landlord of its intent to purchase, both parties agree to sign a mutually agreeable Agreement of Sale within fifteen (15) days.

IN WITNESS WHEREOF, the parties have interchangeably set their hands and seals or caused these presents to be signed by their proper corporate officers and caused their proper corporate seal to be here affixed, this _____ day of _____, 2009.

THE BLOOM ORGANIZATION
OF SOUTH JERSEY, LLC, (Landlord)

By:

Frank Martin, President

J & J SNACK FOODS SALES
CORPORATION, (Tenant)

By:

(Seal)

Name:
Title:

Witness

Attested: _____

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "First Amendment") is made this 30 day of July, 2007, by and between **LIBERTY VENTURE I, LP**, a Delaware limited partnership ("Landlord"), and **J&J SNACK FOODS CORP.**, a New Jersey corporation ("Tenant").

BACKGROUND:

A. Landlord and Tenant entered into a Lease Agreement dated of even date herewith (the "Lease"), covering premises containing approximately 38,400 rentable square feet (the "Premises"), located in Landlord's building (the "Building") at 100 Eagle Court, Bridgeport, New Jersey, as more fully described in the Lease.

B. Landlord and Tenant desire to increase the Minimum Annual Rent under the Lease, subject to the provisions of this First Amendment. Accordingly, Landlord and Tenant desire to amend the Lease.

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises and covenants contained herein and in the Lease, and intending to be legally bound hereby, agree that the Lease is amended as follows:

1. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. Section 1(d)(i) of the Lease, entitled "**MINIMUM ANNUAL RENT**", is amended by deleting the schedule contained therein in its entirety and substituting the following schedule therefor:

<u>Lease Year</u>	<u>Annual</u>	<u>Monthly</u>
Commencement Date – 12/31/08	\$255,360.00	\$21,280.00
1/1/09 – 12/31/09	\$259,200.00	\$21,600.00
1/1/10 – 12/31/10	\$263,040.00	\$21,920.00
1/1/11 – 12/31/11	\$266,880.00	\$22,240.00
1/1/12 – 12/31/12	\$270,720.00	\$22,560.00
1/1/13 – 12/31/13	\$274,560.00	\$22,880.00
1/1/14 – 12/31/14	\$278,400.00	\$23,200.00
1/1/15 – 12/31/15	\$282,240.00	\$23,520.00

3. The parties agree that they have dealt with no brokers in connection with this First Amendment. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this First Amendment from any real estate brokers or agents with whom they may have dealt.

4. Except as expressly modified hereby, the Lease shall remain in full force and effect in accordance with its terms.

5. Tenant acknowledges and agrees that the Lease is in full force and effect and Tenant has no claims or offsets against Rent due or to become due hereunder.

6. This First Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, Landlord and Tenant, intending to be legally bound, have executed this First Amendment as of the day and year first above written.

**LANDLORD:
LIBERTY VENTURE I, LP**

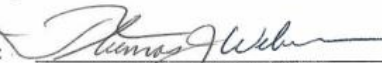
By: Liberty Venture I, LLC, Sole General Partner

By: Liberty Property Limited Partnership, Sole Member

By: Liberty Property Trust, Sole General Partner

By: 
Name: Robert D. Jones
Title: Vice President, City Manager

**TENANT:
J&J SNACK FOODS CORP.**

By: 
Name: THOMAS J. WEBER
Title: Vice President, Operations
7/11/07

LEASE AGREEMENT

LIBERTY VENTURE I, LP
Landlord

AND

J&J SNACK FOODS CORP.
Tenant

AT

100 Eagle Court
Bridgeport, New Jersey 08014

LEASE AGREEMENT

(Multi-Tenant Industrial)

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THIS LEASE AGREEMENT is made by and between **LIBERTY VENTURE I, LP**, a Delaware limited partnership ("**LANDLORD**") with its address at 901 Lincoln Drive West, Suite 100, Marlton, New Jersey 08053, and **J&J SNACK FOODS CORP.**, a corporation organized under the laws of New Jersey ("**TENANT**") with its address at 300 Eagle Court, Bridgeport, New Jersey, and is dated as of the date on which this lease has been fully executed by Landlord and Tenant.

I. Summary of Terms and Certain Definitions.

- (a) "**PREMISES**": Approximate rentable square feet: 38,400.
Section 2
- (b) "**BUILDING**": Approximate rentable square feet: 38,400.
(§2) Address: 100 Eagle Court, Bridgeport, New Jersey.
- (c) "**TERM**": From the Commencement Date through and including the Expiration Date.
(§5)
 - (i) "**COMMENCEMENT DATE**": The date that is thirty (30) days after the substantial completion of the Tenant Improvements (as defined below), but not later than the date Tenant takes possession of the Premises for the conduct of its business, if earlier.
 - (ii) "**EXPIRATION DATE**": December 31, 2015.

(d) **Minimum Rent (§6) & Operating Expenses (§7)**

(i) "**MINIMUM ANNUAL RENT**":

<u>Lease Year</u>	<u>Annual</u>	<u>Monthly</u>
Commencement Date – 12/31/08	\$197,760.00	\$16,480.00
1/1/09 – 12/31/09	\$201,600.00	\$16,800.00
1/1/10 – 12/31/10	\$205,440.00	\$17,120.00
1/1/11 – 12/31/11	\$209,280.00	\$17,440.00
1/1/12 – 12/31/12	\$213,120.00	\$17,760.00
1/1/13 – 12/31/13	\$216,960.00	\$18,080.00
1/1/14 – 12/31/14	\$220,800.00	\$18,400.00
1/1/15 – 12/31/15	\$224,640.00	\$18,720.00

(ii) Estimated "**ANNUAL OPERATING EXPENSES**": \$83,712.00 (Eighty-Three Thousand Seven Hundred Twelve and 00/100 Dollars), payable in monthly installments of \$6,976.00 (Six Thousand Nine Hundred Seventy-Six and 00/100 Dollars), subject to adjustment (§7(a)).

(e) "**PROPORTIONATE SHARE**" (§7(a)): 100.00 % (Ratio of approximate rentable square feet in the Premises to approximate rentable square feet in the Building).

(f) "**USE**" (§4): General warehouse use and appurtenant offices.

(g) "**SECURITY DEPOSIT**" (§28): \$0.00 (Zero Dollars).

(h) **CONTENTS**: This lease consists of the Index, pages 1 through 14 containing Sections 1 through 32 and the following, all of which are attached hereto and made a part of this lease:

- Exhibits: "A" - Plan showing Premises "D" - Estoppel Certificate Form
 "B" - Commencement Certificate Form "E" - Plan of Improvements
 "C" - Building Rules

2. **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises as shown on attached Exhibit "A" within the Building (the Building and the lot on which it is located, the "PROPERTY"), together with the non-exclusive right with Landlord and other occupants of the Building to use all areas and facilities provided by Landlord for the use of all tenants in the Property including any driveways, sidewalks and parking, loading and landscaped areas (the "COMMON AREAS").

3. **Acceptance of Premises.** Tenant has examined and knows the condition of the Property, the zoning, streets, sidewalks, parking areas, curbs and access ways adjoining it, visible easements, any surface conditions and the present uses, and Tenant accepts them in the condition in which they now are, without relying on any representation, covenant or warranty by Landlord. Tenant and its agents shall have the right, at Tenant's own risk, expense and responsibility, at all reasonable times prior to the Commencement Date, to enter the Premises for the purpose of taking measurements and installing its furnishings and equipment; provided that the Premises are vacant and Tenant obtains Landlord's prior written consent.

4. **Use; Compliance.**

(a) **Permitted Use.** Tenant shall occupy and use the Premises for and only for the Use specified in Section 1(f) above and in such a manner as is lawful, reputable and will not create any nuisance or otherwise interfere with any other tenant's normal operations or the management of the Building. Without limiting the foregoing, such Use shall exclude any use that would cause the Premises or the Property to be deemed a "place of public accommodation" under the Americans with Disabilities Act (the "ADA") as further described in the Building Rules (defined below). All Common Areas shall be subject to Landlord's exclusive control and management at all times. Tenant shall not use or permit the use of any portion of the Property for outdoor storage or installations outside of the Premises nor for any use that would interfere with any other person's use of any portion of the Property outside of the Premises.

(b) **Compliance.** Landlord represents that, as of the date of this lease, there is no action required with respect to the Premises or Common Areas under any laws (including Title III of the ADA), ordinances, notices, orders, rules, regulations and requirements applicable to the Premises or to the Common Areas. From and after the Commencement Date, Tenant shall comply promptly, at its sole expense, (including making any alterations or improvements) with all laws (including the ADA), ordinances, notices, orders, rules, regulations and requirements regulating the Property during the Term which impose any duty upon Landlord or Tenant with respect to Tenant's particular use or occupancy or Tenant's alteration of, or Tenant's installations in or upon, the Property including the Premises, (as the same may be amended, the "LAWS AND REQUIREMENTS") and the building rules attached as Exhibit "C", as amended by Landlord from time to time (the "BUILDING RULES"). Provided, however, that Tenant shall not be required to comply with the Laws and Requirements with respect to the footings, foundations, structural steel columns and girders forming a part of the Property unless the need for such compliance arises out of Tenant's particular use or occupancy or Tenant's alteration of the Property, or by any act or omission of Tenant or any employees, agents, contractors, licensees or invitees ("AGENTS") of Tenant. With respect to Tenant's obligations as to the Property, other than the Premises, at Landlord's option and at Tenant's expense, Landlord may comply with any repair, replacement or other construction requirements of the Laws and Requirements and Tenant shall pay to Landlord all costs thereof as additional rent.

(c) **Environmental.** Tenant shall comply, at its sole expense, with all Laws and Requirements as set forth above, all manufacturers' instructions and all requirements of insurers relating to the treatment, production, storage, handling, transfer, processing, transporting, use, disposal and release of hazardous substances, hazardous mixtures, chemicals, pollutants, petroleum products, toxic or radioactive matter (the "RESTRICTED ACTIVITIES"). Tenant shall deliver to Landlord copies of all Material Safety Data Sheets or other written information prepared by manufacturers, importers or suppliers of any chemical and all notices, filings, permits and any other written communications from or to Tenant and any entity regulating any Restricted Activities.

(d) **Notice.** If at any time during or after the Term, Tenant becomes aware of any inquiry, investigation or proceeding regarding the Restricted Activities or becomes aware of any claims, actions or investigations regarding the ADA, Tenant shall give Landlord written notice, within 5 days after first learning thereof, providing all available information and copies of any notices.

5. **Term.** The Term of this lease shall commence on the Commencement Date and shall end at 11:59 p.m. on the last day of the Term (the "EXPIRATION DATE"), without the necessity for notice from either party, unless sooner terminated in accordance with the terms hereof. At Landlord's request, Tenant shall confirm the Commencement Date and Expiration Date by executing a lease commencement certificate in the form attached as Exhibit "B".

6. **Minimum Annual Rent.** Tenant agrees to pay to Landlord the Minimum Annual Rent in equal monthly installments in the amount set forth in Section 1(d) (as increased at the beginning of each lease year as set forth in Section 1(d)), in advance, on the first day of each calendar month during the Term, without notice, demand or setoff, at Landlord's address designated at the beginning of this lease unless Landlord designates otherwise; provided that rent for the first full month shall be paid at the signing of this lease. If the Commencement Date falls on a day other than the first day of a calendar month, the rent shall be apportioned pro rata on a per diem basis at the rate of \$781.87 per day for the period from the Commencement Date until the first day of the following calendar month and shall be paid on or before the Commencement Date. As used in this lease, the term "lease year" means the period from the Commencement Date through the succeeding 12 full calendar months (including for the first lease year any partial month from the Commencement Date until the first day of the first full calendar month) and each successive 12 month period thereafter during the Term.

7. **Operation of Property; Payment of Expenses.**

(a) **Payment of Operating Expenses.** Tenant shall pay to Landlord the Annual Operating Expenses in equal monthly installments in the amount set forth in Section 1(d) (prorated for any partial month), from the Commencement Date and continuing throughout the Term on the first day of each calendar month during the Term, as additional rent, without notice, demand or setoff; provided that the monthly installment for the first full month shall be paid at the signing of this lease. Landlord shall apply such payments to the operating expenses owed to Landlord by Tenant pursuant to the following Sections 7(b)-(f). The amount of the Annual Operating Expenses set forth in Section 1(d) represents Tenant's Proportionate Share of the estimated operating expenses during the first calendar year of the Term on an annualized basis; from time to time Landlord may adjust such estimated amount if the estimated operating expenses increase. By April 30th of each year (and as soon as practical after the expiration or termination of this lease or at any time in the event of a sale of the Property), Landlord shall provide Tenant with a statement of the actual amount of such expenses for the preceding calendar year or part thereof. Landlord or Tenant shall pay to the other the amount of any deficiency or overpayment then due from one to the other or, at Landlord's option, Landlord may credit Tenant's account for any overpayment. Tenant's obligation to pay the Annual Operating Expenses pursuant to this Section 7 shall survive the expiration or termination of this lease.

(b) **Taxes and Other Impositions.** Tenant shall pay prior to delinquency all levies, taxes (including sales taxes and gross receipt taxes), assessments, liens, license and permit fees, which are applicable to the Term, and which are imposed by any authority or under any law, ordinance or regulation thereof, or pursuant to any recorded covenants or agreements, and the reasonable cost of contesting any of the foregoing (the "IMPOSITIONS") upon or with respect to the Premises, or any improvements thereto, or directly upon this lease or the Rent (defined in Section 7(f)) or amounts payable by any subtenants or other occupants of the Premises, or against Landlord because of Landlord's estate or interest herein. Additionally, Tenant shall pay as aforesaid its Proportionate Share of any Imposition which is not imposed upon the Premises as a separate entity but which is imposed upon all or part of the Property or upon the leases or rents relating to the Property. Notwithstanding anything to the contrary herein contained, Tenant shall pay to Landlord its Proportionate Share of Impositions billed to Landlord within 30 days after receipt of invoice therefor.

(i) Nothing herein contained shall be interpreted as requiring Tenant to pay any income, excess profits or corporate capital stock tax imposed or assessed upon Landlord, unless such tax or any similar tax is levied or assessed in lieu of all or any part of any Imposition or an increase in any Imposition.

(ii) If it shall not be lawful for Tenant to reimburse Landlord for any of the Impositions, the Minimum Annual Rent shall be increased by the amount of the portion of such Imposition allocable to Tenant, unless prohibited by law.

(c) **Insurance.**

(i) **Property.** Landlord shall keep in effect, and Tenant shall pay to Landlord its Proportionate Share of the cost of, insurance against loss or damage to the Building or the Property by fire and such other casualties as may be included within fire, extended coverage and special form insurance covering the full replacement cost of the Building (but excluding coverage of Tenant's personal property in, and any alterations by Tenant to, the Premises), and such other insurance as Landlord may reasonably deem appropriate or as may be required from time-to-time by any mortgagee.

(ii) **Liability.** Tenant, at its own expense, shall keep in effect comprehensive general public liability insurance with respect to the Premises and the Property, including contractual liability insurance, with such limits of liability for bodily injury (including death) and property damage as reasonably may be required by Landlord from time-to-time, but not less than a combined single limit of \$1,000,000 per occurrence and a general aggregate limit of not less than \$3,000,000 (which aggregate limit shall apply separately to each of Tenant's locations if more than the Premises); however, such limits shall not limit the liability of Tenant hereunder. The policy of comprehensive general public liability insurance also shall name Landlord and Landlord's agent as insured parties with respect to the Premises, shall be written on an "occurrence" basis and not on a "claims made" basis, shall provide that it is primary with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, shall provide that it shall not be cancelable or reduced without at least 30 days prior written notice to Landlord and shall be issued in form satisfactory to Landlord. The insurer shall be a responsible insurance carrier which is authorized to issue such insurance and licensed to do business in the state in which the Property is located and which has at all times during the Term a rating of no less than A VII in the most current edition of Best's Insurance Reports. Tenant shall deliver to Landlord on or before the Commencement Date, and subsequently renewals of, a certificate of insurance evidencing such coverage and the waiver of subrogation described below.

(iii) **Waiver of Subrogation.** Landlord and Tenant shall have included in their respective property insurance policies waivers of their respective insurers' right of subrogation against the other party. If such a waiver should be unobtainable or unenforceable, then such policies of insurance shall state expressly that such policies shall not be invalidated if, before a casualty, the insured waives the right of recovery against any party responsible for a casualty covered by the policy.

(iv) **Increase of Premiums.** Tenant agrees not to do anything or fail to do anything which will increase the cost of Landlord's insurance or which will prevent Landlord from procuring policies (including public liability) from companies and in a form satisfactory to Landlord. If any breach of the preceding sentence by Tenant causes the rate of fire or other insurance to be increased, Tenant shall pay the amount of such increase as additional rent promptly upon being billed.

(d) **Repairs and Maintenance; Common Areas; Building Management.** Except as specifically otherwise provided in this Section (d), Tenant at its sole expense shall maintain the Premises in good order and condition, promptly make all repairs necessary to maintain such condition, and repair any damage to the Premises caused by Tenant or its Agents. All repairs made by Tenant shall utilize materials and equipment which are comparable to those originally used in constructing the Building and Premises. When used in this Section (d), the term "repairs" shall include replacements and renewals when necessary.

(i) Landlord, at its sole expense, shall make all necessary repairs to the footings, foundations, structural steel columns and girders forming a part of the Premises, provided that Landlord shall have no responsibility to make any repair until Landlord receives written notice of the need for such repair.

(ii) Tenant, at Tenant's sole expense, shall maintain and repair all HVAC systems appurtenant to the Premises using a service firm acceptable to Landlord which shall provide service and maintenance in accordance with the manufacturer's recommendations and shall provide a copy of the contract to Landlord.

(iii) Landlord shall make all necessary repairs to the roof, exterior portions of the Premises and the Building, fire monitoring system, utility and communications lines, equipment and facilities serving the Building which are located outside of the Building, and to the Common Areas, the cost of which shall be an operating expense of which Tenant shall pay its Proportionate Share, provided that Landlord shall have no

responsibility to make any repair until Landlord receives written notice of the need for such repair. Landlord shall operate and manage the Property and shall maintain all Common Areas and any paved areas appurtenant to the Property in a clean and orderly condition, including landscaping and snow removal. Landlord reserves the right to make alterations to the Common Areas from time to time. Operating expenses also shall include (A) all sums expended by Landlord for the supervision, maintenance, repair, replacement and operation of the Common Areas (including the costs of utility services), (B) any costs of building improvements made by Landlord to the Property that are required by any governmental authority or for the purpose of reducing operating expenses and (C) a management and administrative fee applicable to the overall operation of the Property, such fee not to exceed 5% of Minimum Annual Rent as described in Section 1 of this lease. Except as otherwise set forth in subsection (B) of this subsection 7(d)(iii), Operating Expenses shall not include the cost of items which under generally accepted accounting principles are required to be classified as capital expenditures, including replacement of the roof of the Building.

(iv) Notwithstanding anything herein to the contrary, repairs and replacements to the Property including the Premises made necessary by Tenant's use, occupancy or alteration of, or Tenant's installation in or upon the Property or by any act or omission of Tenant or its Agents shall be made at the sole expense of Tenant to the extent not covered by any applicable insurance proceeds paid to Landlord. Tenant shall not bear the expense of any repairs or replacements to the Property arising out of or caused by any other tenant's use, occupancy or alteration of, or any other tenant's installation in or upon, the Property or by any act or omission of any other tenant or any other tenant's Agents.

(e) **Utility Charges.** Tenant shall pay for water, sewer, gas, electricity, heat, power, telephone and other communication services and any other utilities supplied to or consumed in or on the Premises. Landlord shall not be responsible or liable for any interruption in utility service, nor shall such interruption affect the continuation or validity of this lease.

(f) **Net Lease.** Except for the obligations of Landlord expressly set forth herein, this lease is a "triple net lease" and Landlord shall receive the Minimum Annual Rent as net income from the Premises, not diminished by any expenses other than payments under any mortgages, and Landlord is not and shall not be required to render any services of any kind to Tenant. The term "RENT" as used in this lease means the Minimum Annual Rent, Annual Operating Expenses and any other additional rent or sums payable by Tenant to Landlord pursuant to this lease, all of which shall be deemed rent for purposes of Landlord's rights and remedies with respect thereto. Tenant shall pay all Rent to Landlord within 30 days after Tenant is billed, unless otherwise provided in this lease, and interest shall accrue on all sums due but unpaid.

8. **Signs.** Except for signs which are located wholly within the interior of the Premises and not visible from the exterior of the Premises, no signs shall be placed on the Property without the prior written consent of Landlord. All signs installed by Tenant shall be maintained by Tenant in good condition and Tenant shall remove all such signs at the termination of this lease and shall repair any damage caused by such installation, existence or removal.

9. **Alterations and Fixtures.**

(a) Subject to Section 10, Tenant shall have the right to install its trade fixtures in the Premises, provided that no such installation or removal thereof shall affect any structural portion of the Property nor any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant. At the expiration or termination of this lease and at the option of Landlord or Tenant, Tenant shall remove such installation(s) and, in the event of such removal, Tenant shall repair any damage caused by such installation or removal; if Tenant, with Landlord's written consent, elects not to remove such installation(s) at the expiration or termination of this lease, all such installations shall remain on the Property and become the property of Landlord without payment by Landlord.

(b) Except for non-structural changes which do not exceed \$5000 in the aggregate, Tenant shall not make or permit to be made any alterations to the Premises without Landlord's prior written consent. Tenant shall pay the costs of any required architectural/engineering reviews. In making any alterations, (i) Tenant shall deliver to Landlord the plans, specifications and necessary permits, together with certificates evidencing that Tenant's contractors and subcontractors have adequate insurance coverage naming Landlord and Landlord's agent as

additional insureds, at least 10 days prior to commencement thereof, (ii) such alterations shall not impair the structural strength of the Building or any other improvements or reduce the value of the Property or affect any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant, (iii) Tenant shall comply with Section 10 and (iv) the occupants of the Building and of any adjoining property shall not be disturbed thereby. All alterations to the Premises by Tenant shall be the property of Tenant until the expiration or termination of this lease; at that time all such alterations shall remain on the Property and become the property of Landlord without payment by Landlord unless Landlord gives written notice to Tenant to remove the same, in which event Tenant will remove such alterations and repair any resulting damage. At Tenant's request prior to Tenant making any alterations, Landlord shall notify Tenant in writing, whether Tenant is required to remove such alterations at the expiration or termination of this lease.

10. Mechanics' Liens. Tenant shall pay promptly any contractors and materialmen who supply labor, work or materials to Tenant at the Property and shall take all steps permitted by law in order to avoid the imposition of any mechanic's lien upon all or any portion of the Property. Should any such lien or notice of lien be filed for work performed for Tenant other than by Landlord, Tenant shall bond against or discharge the same within 20 days after Tenant has notice that the lien or claim is filed regardless of the validity of such lien or claim. Nothing in this lease is intended to authorize Tenant to do or cause any work to be done or materials to be supplied for the account of Landlord, all of the same to be solely for Tenant's account and at Tenant's risk and expense. Throughout this lease the term "mechanic's lien" is used to include any lien, encumbrance or charge levied or imposed upon all or any portion of, interest in or income from the Property on account of any mechanic's, laborer's, materialman's or construction lien or arising out of any debt or liability to or any claim of any contractor, mechanic, supplier, materialman or laborer and shall include any mechanic's notice of intention to file a lien given to Landlord or Tenant, any stop order given to Landlord or Tenant, any notice of refusal to pay naming Landlord or Tenant and any injunctive or equitable action brought by any person claiming to be entitled to any mechanic's lien.

11. Landlord's Right of Entry. Tenant shall permit Landlord and its Agents to enter the Premises at all reasonable times following reasonable notice (except in the event of an emergency), for the purpose of inspection, maintenance or making repairs, alterations or additions as well as to exhibit the Premises for the purpose of sale or mortgage and, during the last 12 months of the Term, to exhibit the Premises to any prospective tenant. Landlord will make reasonable efforts not to inconvenience Tenant in exercising the foregoing rights, but shall not be liable for any loss of occupation or quiet enjoyment thereby occasioned.

12. Damage by Fire or Other Casualty.

(a) If the Premises or Building shall be damaged or destroyed by fire or other casualty, Tenant promptly shall notify Landlord and Landlord, subject to the conditions set forth in this Section 12, shall repair such damage and restore the Premises to substantially the same condition in which they were immediately prior to such damage or destruction, but not including the repair, restoration or replacement of the fixtures or alterations installed by Tenant. Landlord shall notify Tenant in writing, within 30 days after the date of the casualty, if Landlord anticipates that the restoration will take more than 180 days from the date of the casualty to complete; in such event, either Landlord or Tenant may terminate this lease effective as of the date of casualty by giving written notice to the other within 10 days after Landlord's notice. Further, if a casualty occurs during the last 12 months of the Term or any extension thereof, restoration of which will take more than 60 days from the date of the casualty to complete and Tenant is unable to conduct business from the Premises, Landlord may cancel this lease unless Tenant has the right to extend the Term for at least 3 more years and does so within 30 days after the date of the casualty.

(b) Landlord shall maintain a 12 month rental coverage endorsement or other comparable form of coverage as part of its fire, extended coverage and special form insurance. Tenant will receive an abatement of its Minimum Annual Rent and Annual Operating Expenses to the extent the Premises are rendered untenable as determined by the carrier providing the rental coverage endorsement.

13. Condemnation.

(a) **Termination.** If (i) all of the Premises are taken by a condemnation or otherwise for any public or quasi-public use, (ii) any part of the Premises is so taken and the remainder thereof is insufficient for the reasonable operation of Tenant's business or (iii) any of the Property is so taken, and, in Landlord's opinion, it would be

impractical or the condemnation proceeds are insufficient to restore the remainder of the Property, then this lease shall terminate and all unaccrued obligations hereunder shall cease as of the day before possession is taken by the condemnor.

(b) **Partial Taking.** If there is a condemnation and this lease has not been terminated pursuant to this Section, (i) Landlord shall restore the Building and the improvements which are a part of the Premises to a condition and size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the date upon which the condemnor took possession and (ii) the obligations of Landlord and Tenant shall be unaffected by such condemnation except that there shall be an equitable abatement of the Minimum Annual Rent according to the rental value of the Premises before and after the date upon which the condemnor took possession and/or the date Landlord completes such restoration.

(c) **Award.** In the event of a condemnation affecting Tenant, Tenant shall have the right to make a claim against the condemnor for moving expenses and business dislocation damages to the extent that such claim does not reduce the sums otherwise payable by the condemnor to Landlord. Except as aforesaid and except as set forth in (d) below, Tenant hereby assigns all claims against the condemnor to Landlord.

(d) **Temporary Taking.** No temporary taking of the Premises shall terminate this lease or give Tenant any right to any rental abatement. Such a temporary taking will be treated as if Tenant had sublet the Premises to the condemnor and had assigned the proceeds of the subletting to Landlord to be applied on account of Tenant's obligations hereunder. Any award for such a temporary taking during the Term shall be applied first, to Landlord's costs of collection and, second, on account of sums owing by Tenant hereunder, and if such amounts applied on account of sums owing by Tenant hereunder should exceed the entire amount owing by Tenant for the remainder of the Term, the excess will be paid to Tenant. Notwithstanding the foregoing, in the event Tenant is unable to reasonably use the Premises or any portion thereof for the conduct of its business for in excess of thirty (30) consecutive days as a result of a temporary taking, Rent shall thereafter abate until Tenant is able to reasonably use same for the conduct of its business, such abatement to be in the proportion that the square footage of the portion of the Premises which cannot be reasonably used for the conduct of Tenant's business bears to the square footage of the entire Premises.

14. **Non-Abatement of Rent.** Except as otherwise expressly provided as to damage by fire or other casualty in Section 12(b) and as to condemnation in Section 13(b) and as to temporary taking in Section 13(d), there shall be no abatement or reduction of the Rent for any cause whatsoever, and this lease shall not terminate, and Tenant shall not be entitled to surrender the Premises.

15. **Indemnification of Landlord.** Subject to Sections 7(c)(iii) and 16, Tenant will protect, indemnify and hold harmless Landlord and its Agents from and against any and all claims, actions, damages, liability and expense (including fees of attorneys, investigators and experts) in connection with loss of life, personal injury or damage to property in or about the Premises or arising out of the occupancy or use of the Premises by Tenant or its Agents or occasioned wholly or in part by any act or omission of Tenant or its Agents, whether prior to, during or after the Term, except to the extent such loss, injury or damage was caused by the negligence of Landlord or its Agents. In case any action or proceeding is brought against Landlord and/or its Agents by reason of the foregoing, Tenant, at its expense, shall resist and defend such action or proceeding, or cause the same to be resisted and defended by counsel (reasonably acceptable to Landlord and its Agents) designated by the insurer whose policy covers such occurrence or by counsel designated by Tenant and approved by Landlord and its Agents. Tenant's obligations pursuant to this Section 15 shall survive the expiration or termination of this lease.

16. **Waiver of Claims.** Landlord and Tenant each hereby waives all claims for recovery against the other for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party or its Agents; provided, however, that such waiver by Landlord shall not be effective with respect to any liability of Tenant described in Sections 4(c) and 7(d)(iv).

17. **Quiet Enjoyment.** Landlord covenants that Tenant, upon performing all of its covenants, agreements and conditions of this lease, shall have quiet and peaceful possession of the Premises as against anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this lease.

18. Assignment and Subletting.

(a) **Limitation.** Tenant shall not transfer this lease, voluntarily or by operation of law, without the prior written consent of Landlord which shall not be withheld unreasonably. However, Landlord's consent shall not be required in the event of any transfer by Tenant to an affiliate of Tenant or to Wawa, Inc. ("Wawa"), provided such affiliate or Wawa, as the case may be, is at least as creditworthy as Tenant as of the date of this lease and provided Tenant delivers to Landlord the instrument described in Section (c)(iii) below, together with a certification of such creditworthiness by Tenant and such affiliate or Wawa, as the case may be. Any transfer not in conformity with this Section 18 shall be void at the option of Landlord, and Landlord may exercise any or all of its rights under Section 23. A consent to one transfer shall not be deemed to be a consent to any subsequent transfer. "Transfer" shall include any sublease, assignment, license or concession agreement, change in ownership or control of Tenant, mortgage or hypothecation of this lease or Tenant's interest therein or in all or a portion of the Premises.

(b) **Offer to Landlord.** Tenant acknowledges that the terms of this lease, including the Minimum Annual Rent, have been based on the understanding that Tenant physically shall occupy the Premises for the entire Term. Therefore, upon Tenant's request to transfer all or a portion of the Premises, at the option of Landlord, Tenant and Landlord shall execute an amendment to this lease removing such space from the Premises, Tenant shall be relieved of any liability with respect to such space and Landlord shall have the right to lease such space to any party, including Tenant's proposed transferee.

(c) **Conditions.** Notwithstanding the above, the following shall apply to any transfer, with or without Landlord's consent:

(i) As of the date of any transfer, Tenant shall not be in default under this lease nor shall any act or omission have occurred which would constitute a default with the giving of notice and/or the passage of time.

(ii) Except in the case of an assignment of Tenant's interest in this lease to Wawa, no transfer shall relieve Tenant of its obligation to pay Rent and to perform all its other obligations hereunder. In the event of an assignment of Tenant's interest in this lease to Wawa in accordance with the provisions of this Section 18, Tenant shall be released from any and all obligations under this lease which arise from and after the effective date of such assignment. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this lease or to be a consent to any transfer.

(iii) Each transfer shall be by a written instrument in form and substance satisfactory to Landlord which shall (A) include an assumption of liability by any transferee of all Tenant's obligations and the transferee's ratification of and agreement to be bound by all the provisions of this lease, (B) afford Landlord the right of direct action against the transferee pursuant to the same remedies as are available to Landlord against Tenant and (C) be executed by Tenant and the transferee.

(iv) Tenant shall pay, within 10 days of receipt of an invoice which shall be no less than \$250 and no more than \$1,000, Landlord's reasonable attorneys' fees and costs in connection with the review, processing and documentation of any transfer for which Landlord's consent is requested.

19. Subordination; Mortgagee's Rights.

(a) This lease shall be subordinate to any first mortgage or other primary encumbrance now or hereafter affecting the Premises. Although the subordination is self-operative, within 10 days after written request, Tenant shall execute and deliver any further instruments confirming such subordination of this lease and any further instruments of attornment that may be desired by any such mortgagee or Landlord. However, any mortgagee may at any time subordinate its mortgage to this lease, without Tenant's consent, by giving written notice to Tenant, and thereupon this lease shall be deemed prior to such mortgage without regard to their respective dates of execution and delivery; provided, however, that such subordination shall not affect any mortgagee's right to condemnation awards, casualty insurance proceeds, intervening liens or any right which shall arise between the recording of such mortgage and the execution of this lease. Landlord agrees, upon request of Tenant, to use commercially reasonable efforts to

obtain a non-disturbance agreement from the holder of any mortgage placed upon the Property after the date of this lease.

(b) It is understood and agreed that any mortgagee shall not be liable to Tenant for any funds paid by Tenant to Landlord unless such funds actually have been transferred to such mortgagee by Landlord.

(c) Notwithstanding the provisions of Sections 12 and 13 above, Landlord's obligation to restore the Premises after a casualty or condemnation shall be subject to the consent and prior rights of Landlord's first mortgagee.

20. Recording; Tenant's Certificate. Tenant shall not record this lease or a memorandum thereof without Landlord's prior written consent. Within 10 days after Landlord's written request from time to time:

(a) Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying the Commencement Date and Expiration Date of this lease, that this lease is in full force and effect and has not been modified and otherwise as set forth in the form of estoppel certificate attached as Exhibit "D" or with such modifications as may be necessary to reflect accurately the stated facts and/or such other certifications as may be requested by a mortgagee or purchaser. Tenant understands that its failure to execute such documents may cause Landlord serious financial damage by causing the failure of a financing or sale transaction.

(b) Tenant shall furnish to Landlord, Landlord's mortgagee, prospective mortgagee or purchaser reasonably requested financial information.

21. Surrender; Abandoned Property.

(a) Subject to the terms of Sections 9(b), 12(a) and 13(b), at the expiration or termination of this lease, Tenant promptly shall yield up in the same condition, order and repair in which they are required to be kept throughout the Term, the Premises and all improvements thereto, and all fixtures and equipment servicing the Building, ordinary wear and tear excepted.

(b) Upon or prior to the expiration or termination of this lease, Tenant shall remove any personal property from the Property. Any personal property remaining thereafter shall be deemed conclusively to have been abandoned, and Landlord, at Tenant's expense, may remove, store, sell or otherwise dispose of such property in such manner as Landlord may see fit and/or Landlord may retain such property as its property. If any part thereof shall be sold, then Landlord may receive and retain the proceeds of such sale and apply the same, at its option, against the expenses of the sale, the cost of moving and storage and any Rent due under this lease.

(c) If Tenant, or any person claiming through Tenant, shall continue to occupy the Premises after the expiration or termination of this lease or any renewal thereof, such occupancy shall be deemed to be under a month-to-month tenancy under the same terms and conditions set forth in this lease, except that the monthly installment of the Minimum Annual Rent during such continued occupancy shall be 150% of the amount applicable to the last month of the Term for the first month, 175% of the amount applicable to the last month of the Term for the second month and double the amount applicable to the last month of the Term thereafter. Anything to the contrary notwithstanding, any holding over by Tenant without Landlord's prior written consent shall constitute a default hereunder and shall be subject to all the remedies available to Landlord.

22. **Curing Tenant's Defaults.** If Tenant shall be in default in the performance of any of its obligations hereunder, Landlord, without any obligation to do so, in addition to any other rights it may have in law or equity, may elect to cure such default on behalf of Tenant after written notice and opportunity to cure as set forth in subsection 23(c) (except in the case of emergency) to Tenant. Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including interest thereon from the respective dates of Landlord's incurring such costs, which sums and costs together with interest shall be deemed additional rent.

23. **Defaults - Remedies.**

(a) **Defaults.** It shall be an event of default:

(i) If Tenant does not pay in full when due any and all Rent;

(ii) If Tenant fails to observe and perform or otherwise breaches any other provision of this lease;

(iii) If Tenant abandons the Premises, which shall be conclusively presumed if the Premises remain unoccupied for more than 10 consecutive days, or removes or attempts to remove Tenant's goods or property other than in the ordinary course of business; or

(iv) If Tenant becomes insolvent or bankrupt in any sense or makes a general assignment for the benefit of creditors or offers a settlement to creditors, or if a petition in bankruptcy or for reorganization or for an arrangement with creditors under any federal or state law is filed by or against Tenant, or a bill in equity or other proceeding for the appointment of a receiver for any of Tenant's assets is commenced, or if any of the real or personal property of Tenant shall be levied upon; provided, however, that any proceeding brought by anyone other than Landlord or Tenant under any bankruptcy, insolvency, receivership or similar law shall not constitute a default until such proceeding has continued unstayed for more than 60 consecutive days.

(b) **Remedies.** Then, and in any such event, Landlord shall have the following rights:

(i) To charge a late payment fee equal to the greater of \$100 or 5% of any amount owed to Landlord pursuant to this lease which is not paid within 5 days after the due date.

(ii) To enter and repossess the Premises, by breaking open locked doors if necessary, and remove all persons and all or any property therefrom, by action at law or otherwise, without being liable for prosecution or damages therefor, and Landlord may, at Landlord's option, make alterations and repairs in order to relet the Premises and relet all or any part(s) of the Premises for Tenant's account. Tenant agrees to pay to Landlord on demand any deficiency that may arise by reason of such reletting. In the event of reletting without termination of this lease, Landlord may at any time thereafter elect to terminate this lease for such previous breach.

(iii) To accelerate the whole or any part of the Rent for the balance of the Term, and declare the same to be immediately due and payable.

(iv) To terminate this lease and the Term without any right on the part of Tenant to save the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken.

(c) **Grace Period.** Notwithstanding anything hereinabove stated, neither party will exercise any available right because of any default of the other, except those remedies contained in subsection (b)(i) of this Section, unless such party shall have first given 10 days written notice thereof to the defaulting party, and the defaulting party shall have failed to cure the default within such period; provided, however, that:

(i) No such notice shall be required if Tenant fails to comply with the provisions of Sections 10 or 20(a), in the case of emergency as set forth in Section 22 or in the event of any default enumerated in subsections (a)(iii) and (iv) of this Section.

(ii) Landlord shall not be required to give such 10 days' notice more than 2 times for defaults consisting of the failure to pay money and 2 times for defaults consisting of something other than the failure to pay money during any 12 month period.

(iii) If the default consists of something other than the failure to pay money which cannot reasonably be cured within 10 days, neither party will exercise any right if the defaulting party begins to cure the default within the 10 days and continues actively and diligently in good faith to completely cure said default.

(iv) Tenant agrees that any notice given by Landlord pursuant to this Section which is served in compliance with Section 27 shall be adequate notice for the purpose of Landlord's exercise of any available remedies.

(d) **Non-Waiver; Non-Exclusive.** No waiver by Landlord of any breach by Tenant shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach. Efforts by Landlord to mitigate the damages caused by Tenant's default shall not constitute a waiver of Landlord's right to recover damages hereunder. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy provided herein or by law, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the total amount due Landlord under this lease shall be deemed to be other than on account, nor shall any endorsement or statement on any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of Rent due, or Landlord's right to pursue any other available remedy.

(e) **Costs and Attorneys' Fees.** If either party commences an action against the other party arising out of or in connection with this lease, the prevailing party shall be entitled to have and recover from the losing party attorneys' fees, costs of suit, investigation expenses and discovery costs, including costs of appeal.

24. **Representations of Tenant.** Tenant represents to Landlord and agrees that:

(a) The word "Tenant" as used herein includes the Tenant named above as well as its successors and assigns, each of which shall be under the same obligations and liabilities and each of which shall have the same rights, privileges and powers as it would have possessed had it originally signed this lease as Tenant. Each and every of the persons named above as Tenant shall be bound jointly and severally by the terms, covenants and agreements contained herein. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant immediate or remote, unless Tenant has complied with the terms of Section 18 and the assignment to such assignee is permitted or has been approved in writing by Landlord. Any notice required or permitted by the terms of this lease may be given by or to any one of the persons named above as Tenant, and shall have the same force and effect as if given by or to all thereof.

(b) If Tenant is a corporation, partnership or any other form of business association or entity, Tenant is duly formed and in good standing, and has full corporate or partnership power and authority, as the case may be, to enter into this lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this lease constitutes a valid and binding obligation enforceable in accordance with its terms. Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of this lease at the time of such execution.

25. **Liability of Landlord.** The word "Landlord" as used herein includes the Landlord named above as well as its successors and assigns, each of which shall have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this lease as Landlord. Any such person or entity, whether or not named herein, shall have no liability hereunder after it ceases to hold title to the Premises except for obligations already accrued (and, as to any unapplied portion of Tenant's Security Deposit, Landlord shall transfer such portion to its successor in interest and Landlord shall be relieved of all liability therefor upon transfer of such portion to its successor in interest) and Tenant shall look solely to Landlord's successor in interest for the performance of the covenants and obligations of the Landlord hereunder which thereafter shall accrue. Neither Landlord nor any principal of Landlord nor any owner of the Property, whether disclosed or undisclosed, shall have any personal

liability with respect to any of the provisions of this lease or the Premises, and if Landlord is in breach or default with respect to Landlord's obligations under this lease or otherwise, Tenant shall look solely to the equity of Landlord in the Property for the satisfaction of Tenant's claims. Notwithstanding the foregoing, no mortgagee or ground lessor succeeding to the interest of Landlord hereunder (either in terms of ownership or possessory rights) shall be (a) liable for any previous act or omission of a prior landlord, (b) subject to any rental offsets or defenses against a prior landlord or (c) bound by any amendment of this lease made without its written consent, or by payment by Tenant of Minimum Annual Rent in advance in excess of one monthly installment.

26. Interpretation: Definitions.

(a) **Captions.** The captions in this lease are for convenience only and are not a part of this lease and do not in any way define, limit, describe or amplify the terms and provisions of this lease or the scope or intent thereof.

(b) **Entire Agreement.** This lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises or the Property. No rights, easements or licenses are acquired in the Property or any land adjacent to the Property by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. This lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural number. The word "including" followed by any specific item(s) is deemed to refer to examples rather than to be words of limitation. Both parties having participated fully and equally in the negotiation and preparation of this lease, this lease shall not be more strictly construed, nor any ambiguities in this lease resolved, against either Landlord or Tenant.

(c) **Covenants.** Each covenant, agreement, obligation, term, condition or other provision herein contained shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making the same, not dependent on any other provision of this lease unless otherwise expressly provided. All of the terms and conditions set forth in this lease shall apply throughout the Term unless otherwise expressly set forth herein.

(d) **Interest.** Wherever interest is required to be paid hereunder, such interest shall be at the highest rate permitted under law but not in excess of 15% per annum.

(e) **Severability; Governing Law.** If any provisions of this lease shall be declared unenforceable in any respect, such unenforceability shall not affect any other provision of this lease, and each such provision shall be deemed to be modified, if possible, in such a manner as to render it enforceable and to preserve to the extent possible the intent of the parties as set forth herein. This lease shall be construed and enforced in accordance with the laws of the state in which the Property is located.

(f) **"Mortgage" and "Mortgagee."** The word "mortgage" as used herein includes any lien or encumbrance on the Premises or the Property or on any part of or interest in or appurtenance to any of the foregoing, including without limitation any ground rent or ground lease if Landlord's interest is or becomes a leasehold estate. The word "mortgagee" as used herein includes the holder of any mortgage, including any ground lessor if Landlord's interest is or becomes a leasehold estate. Wherever any right is given to a mortgagee, that right may be exercised on behalf of such mortgagee by any representative or servicing agent of such mortgagee.

(g) **"Person."** The word "person" is used herein to include a natural person, a partnership, a corporation, an association and any other form of business association or entity.

27. Notices. Any notice or other communication under this lease shall be in writing and addressed to Landlord or Tenant at their respective addresses specified at the beginning of this lease, except that after the Commencement Date Tenant's address shall be at the Premises with a copy to Tenant at 300 Eagle Court, Bridgeport, New Jersey, (or to such other address as either may designate by notice to the other) with a copy to any mortgagee or other party designated by Landlord. Each notice or other communication shall be deemed given if sent by prepaid overnight

delivery service or by certified mail, return receipt requested, postage prepaid or in any other manner, with delivery in any case evidenced by a receipt, and shall be deemed received on the day of actual receipt by the intended recipient or on the business day delivery is refused. The giving of notice by Landlord's attorneys, representatives and agents under this Section shall be deemed to be the acts of Landlord; however, the foregoing provisions governing the date on which a notice is deemed to have been received shall mean and refer to the date on which a party to this lease, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

28. Security Deposit. At the time of signing this lease, Tenant shall deposit with Landlord the Security Deposit to be retained by Landlord as cash security for the faithful performance and observance by Tenant of the provisions of this lease. Tenant shall not be entitled to any interest whatever on the Security Deposit. Landlord shall have the right to commingle the Security Deposit with its other funds. Landlord may use the whole or any part of the Security Deposit for the payment of any amount as to which Tenant is in default hereunder or to compensate Landlord for any loss or damage it may suffer by reason of Tenant's default under this lease. If Landlord uses all or any portion of the Security Deposit as herein provided, within 10 days after written demand therefor, Tenant shall pay Landlord cash in amount equal to that portion of the Security Deposit used by Landlord. If Tenant shall comply fully and faithfully with all of the provisions of this lease, the Security Deposit shall be returned to Tenant after the Expiration Date and surrender of the Premises to Landlord.

29. Tenant Improvements.

(a) Landlord shall complete the improvements to the Premises (the "Tenant Improvements") in accordance with the plans or the description of improvements attached as Exhibit "E". All construction shall be done in a good and workmanlike manner and shall comply at the time of completion with all applicable Laws and Requirements of the governmental authorities having jurisdiction.

(b) Tenant's occupancy of the Premises shall constitute Tenant's acceptance of the Tenant Improvements, subject to completion by Landlord of items set forth on a mutually agreed-upon punchlist of incomplete items prepared at the time of substantial completion of the Tenant Improvements.

(c) Tenant and its Agents shall have the right, at Tenant's own risk, expense and responsibility, at all reasonable times after Lanier (as hereinafter defined) vacates and surrenders the Premises to Landlord pursuant to the terms of the Lanier Lease (as hereinafter defined) and prior to the Commencement Date, to enter the Premises for the purpose of taking measurements and installing its furnishings and equipment, provided that Tenant does not interfere with or delay the Tenant Improvements, Tenant uses contractors and workers compatible with the contractors and workers engaged by Landlord, and Tenant obtains Landlord's prior written consent.

(d) If the date of substantial completion of the Tenant Improvements is delayed by Tenant or its Agents, the Tenant Improvements shall be deemed to be substantially complete on the date that the Tenant Improvements would have been substantially completed but for such delays by Tenant or its Agents.

30. Environmental Information. At all times during and after the term of this lease, Tenant shall furnish Landlord, upon request, with such information with respect to Tenant's operations at the Premises as is necessary in order for Landlord or any successor owner of the Premises to comply with the New Jersey Industrial Site Recovery Act, N.J. Stat. Ann. 13:1K-6 et seq. and other federal and New Jersey environmental laws, regulations and ordinances, including without limitation, affidavits to be submitted to the New Jersey Department of Environmental Protection in connection with requests for letters of non-applicability and negative declarations. Tenant's obligations hereunder shall survive the termination of this Lease.

31. Brokers. The parties agree that they have dealt with no brokers in connection with this lease. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this lease from any real estate brokers or agents with whom they may have dealt.

32. Contingency. Tenant hereby acknowledges that the Premises is currently being leased to Lanier Worldwide, Inc. ("Lanier"), pursuant to a certain Indenture of Lease ("Lanier Lease") dated October 18, 1994, as

amended, which expires on April 30, 2008. Landlord and Tenant hereby acknowledge and agree that the anticipated commencement date will be on or about January 1, 2008, contingent upon Landlord entering into a Lease Termination Agreement with Lanier, in form and substance satisfactory to Landlord. Notwithstanding anything contained in this Lease to the contrary, in the event that Landlord does not enter into a Lease Termination Agreement with Lanier, the anticipated commencement date shall be the date that is thirty (30) days after the Lanier Lease expires or terminates and Lanier vacates the Premises. Landlord shall use commercially reasonable efforts to terminate the Lanier Lease prior to its expiration, on terms satisfactory to Landlord, so that Landlord may obtain possession of the Premises in order to perform the Tenant Improvements. Landlord shall not be liable for any loss or damage to Tenant in the event that the Commencement Date is delayed as a result of Landlord's inability to enter into a satisfactory Lease Termination Agreement with Lanier, Lanier's failure to timely vacate the Premises or any other cause beyond the reasonable control of Landlord or its Agents.

IN WITNESS WHEREOF, and in consideration of the mutual entry into this lease and for other good and valuable consideration, and intending to be legally bound, Landlord and Tenant have executed this lease.

Date signed: 7/30/07

Landlord:

LIBERTY VENTURE I, LP

By: Liberty Venture I, LLC, its sole general partner
By: Liberty Property Limited Partnership, its sole member
By: Liberty Property Trust, its sole general partner

By: 

Name: Robert D. Jones
Title: Vice President, City Manager

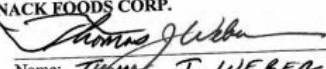
Date signed: 7/10/07

Attest: 

Name: Thomas C. Henderson
Title: VP Gen. Uptown Ballrooms

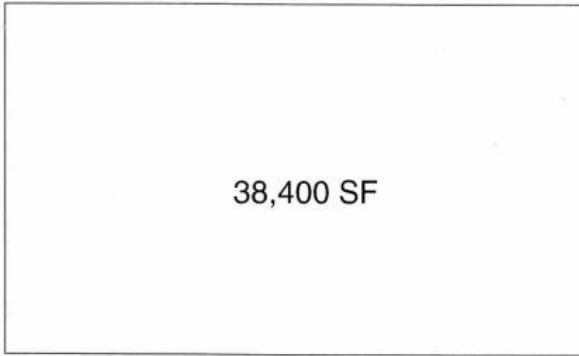
Tenant:

J&J SNACK FOODS CORP.

By: 

Name: THOMAS J. WEBER
Title: VICE PRESIDENT, OPERATION

Exhibit "A"
Plan Showing Premises



100 Eagle Court
TOTAL SQUARE FOOTAGE: 38,400 SF

EXHIBIT "B"
LEASE COMMENCEMENT CERTIFICATE

Re: Lease dated _____, 200__ for premises located at 100 Eagle Court, Bridgeport, New Jersey, between Liberty Venture I, LP as landlord and J&J SNACK FOODS CORP. as tenant ("Lease")

Dear _____:

This is to confirm the following with respect to the Lease:

Commencement Date: _____, 20__
Expiration Date: _____, 20__

As set forth in the Lease, Minimum Annual Rent and Annual Operating Expenses are due on or before the Commencement Date for the period from the Commencement Date until the first day of the next calendar month unless the Commencement Date is the first day of the calendar month. Accordingly, the following amounts are due on or before the Commencement Date:

Apportioned Minimum Rent: \$ _____
Apportioned Operating Expenses: \$ _____
TOTAL: \$ _____

Thereafter regular monthly payments will be due in the following amounts until adjusted in accordance with the Lease:

Monthly Rent Installment: \$ _____
Monthly Operating Payment: \$ _____
TOTAL MONTHLY PAYMENT: \$ _____

If you disagree with any of the information set forth above, please advise us in writing within five days of your receipt of this letter; otherwise the Commencement Date and the Expiration Date of the Lease will be as set forth above.

Sincerely,

LIBERTY VENTURE I, LP

By: Liberty Venture I, LLC, its sole general partner

By: Liberty Property Limited Partnership, its sole member

By: Liberty Property Trust, its sole general partner

By: _____

Name: Robert D. Jones

Title: Vice President, City Manager

EXHIBIT "C"
BUILDING RULES

1. As stated in the lease, Tenant shall not use the Premises as a "place of public accommodation" as defined in the Americans with Disabilities Act of 1990, which identifies the following categories into one or more of which a business must fall to be a "place of public accommodation":

- a. Places of lodging (examples: hotel, motel)
- b. Establishments serving food or drink (examples: bar, restaurant)
- c. Places of exhibition or entertainment (examples: motion picture house, theater, stadium, concert hall)
- d. Places of public gathering (examples: auditorium, convention center, lecture hall)
- e. Sales or rental establishments (examples: bakery, grocery store, hardware store, shopping center)
- f. Service establishments (examples: bank, laundromat, barber shop, funeral parlor, hospital, gas station, business offices such as lawyer, accountant, healthcare provider or insurance office)
- g. Stations used for specified public transportation (examples: bus terminal, depot)
- h. Places of public display or collection (examples: museum, library, gallery)
- i. Places of recreation (examples: park, zoo, amusement park)
- j. Places of education (examples: nursery, elementary, secondary, private or other undergraduate or postgraduate school)
- k. Social service center establishments (examples: day-care center, senior citizen center, homeless shelter, food bank, adoption agency)
- l. Places of exercise or recreation (examples: gym, health spa, bowling alley, golf course)

2. Any sidewalks, lobbies, passages and stairways shall not be obstructed or used by Tenant for any purpose other than ingress and egress from and to the Premises. Landlord shall in all cases retain the right to control or prevent access by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, peace or character of the Property.

3. The toilet rooms, toilets, urinals, sinks, faucets, plumbing or other service apparatus of any kind shall not be used for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith or left in any lobbies, passages, elevators or stairways.

4. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord's permission.

5. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building, except as approved in writing by Landlord. Tenant shall not remove, without Landlord's prior written consent, any shades, blinds or curtains in the Premises.

6. Without Landlord's prior written consent, Tenant shall not hang, install, mount, suspend or attach anything from or to any sprinkler, plumbing, utility or other lines. If Tenant hangs, installs, mounts, suspends or attaches anything from or to any doors, windows, walls, floors or ceilings, Tenant shall spackle and sand all holes and repair any damage caused thereby or by the removal thereof at or prior to the expiration or termination of the lease. If Tenant elects to seal the floor, Tenant shall seal the entire unfinished floor area within the Premises. If Tenant elects to paint all or any portion of the Premises, Tenant, prior to the termination of the lease, shall restore all or such portion(s) of the Premises to the painted or unpainted condition thereof as of the Commencement Date.

7. Tenant shall not change any locks nor place additional locks upon any doors and shall surrender all keys and passes at the end of the Term.

8. Tenant shall not use nor keep in the Building any matter having an offensive odor, nor explosive or highly flammable material, nor shall any animals other than seeing eye dogs in the company of their masters be brought into or kept in or about the Premises.

9. If Tenant desires to introduce electrical, signaling, telegraphic, telephonic, protective alarm or other wires, apparatus or devices, Landlord shall direct where and how the same are to be placed, and except as so directed, no installation boring or cutting shall be permitted. Landlord shall have the right to prevent and to cut off the transmission of excessive or dangerous current of electricity or annoyances into or through the Building or the Premises and to require the changing of wiring connections or layout at Tenant's expense, to the extent that Landlord may deem necessary, and further to require compliance with such reasonable rules as Landlord may establish relating thereto, and in the event of non-compliance with the requirements or rules, Landlord shall have the right immediately to cut wiring or to do what it considers necessary to remove the danger, annoyance or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same.

10. Tenant shall not place weights anywhere beyond the safe carrying capacity of the Building.

11. The use of rooms as sleeping quarters is strictly prohibited at all times.

12. Tenant shall have the right, at Tenant's sole risk and responsibility, to use its proportional share of the parking spaces at the Property as reasonably determined by Landlord. Tenant shall comply with all parking regulations promulgated by Landlord from time to time for the orderly use of the vehicle parking areas, including without limitation the following: Parking shall be limited to automobiles, passenger or equivalent vans, motorcycles, light four wheel pickup trucks and (in designated areas) bicycles. No vehicles shall be left in the parking lot overnight. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow within the Property or with loading and unloading areas of other tenants. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk, and Landlord assumes no responsibility for any damage, destruction, vandalism or theft. Tenant shall cooperate with Landlord in any measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided that no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under its lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle which violates the parking regulations may be cited, towed at the expense of the owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence.

13. If Landlord designates the Building as a non-smoking building and provides outdoor smoking area(s), Tenant and its Agents shall not smoke in the Building.

14. If at Tenant's request, Landlord consents to Tenant having a dumpster at the Property, Tenant shall locate the dumpster in the area designated by Landlord and shall keep and maintain the dumpster clean and painted with lids and doors in good working order and, at Landlord's request, locked.

15. Tenant shall provide Landlord with a written identification of any vendors engaged by Tenant to perform services for Tenant at the Premises (examples: cleaners, security guards/monitors, trash haulers, telecommunications installers/maintenance).

16. Tenant shall cause all of Tenant's Agents to comply with these Building Rules.

17. Landlord reserves the right to rescind, suspend or modify any rules or regulations and to make such other rules and regulations as, in Landlord's reasonable judgment, may from time to time be needed for the safety, care, maintenance, operation and cleanliness of the Property. Notice of any action by Landlord referred to in this paragraph, given to Tenant, shall have the same force and effect as if originally made a part of the foregoing lease. New rules or regulations will not, however, be unreasonably inconsistent with the proper and rightful enjoyment of the Premises by Tenant under the lease.

18. These Building Rules are not intended to give Tenant any rights or claims in the event that Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants and such non-enforcement will not constitute a waiver as to Tenant.

19. Tenant shall be deemed to have read these Building Rules and to have agreed to abide by them as a condition to Tenant's occupancy of the Premises.

EXHIBIT "D"
TENANT ESTOPPEL CERTIFICATE

Please refer to the documents described in Schedule 1 hereto, (the "Lease Documents") including the "Lease" therein described; all defined terms in this Certificate shall have the same meanings as set forth in the Lease unless otherwise expressly set forth herein. The undersigned Tenant hereby certifies that it is the tenant under the Lease. Tenant hereby further acknowledges that it has been advised that the Lease may be collaterally assigned in connection with a proposed financing secured by the Property and/or may be assigned in connection with a sale of the Property and certifies both to Landlord and to any and all prospective mortgagees and purchasers of the Property, including any trustee on behalf of any holders of notes or other similar instruments, any holders from time to time of such notes or other instruments, and their respective successors and assigns (the "Mortgagees") that as of the date hereof:

1. The information set forth in attached Schedule 1 is true and correct.
2. Tenant is in occupancy of the Premises and the Lease is in full force and effect, and, except by such writings as are identified on Schedule 1, has not been modified, assigned, supplemented or amended since its original execution, nor are there any other agreements between Landlord and Tenant concerning the Premises, whether oral or written.
3. All conditions and agreements under the Lease to be satisfied or performed by Landlord have been satisfied and performed.
4. Tenant is not in default under the Lease Documents, Tenant has not received any notice of default under the Lease Documents, and, to Tenant's knowledge, there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Tenant under the Lease Documents.
5. Tenant has not paid any Rent due under the Lease more than 30 days in advance of the date due under the Lease and Tenant has no rights of setoff, counterclaim, concession or other rights of diminution of any Rent due and payable under the Lease except as set forth in Schedule 1.
6. To Tenant's knowledge, there are no uncured defaults on the part of Landlord under the Lease Documents, Tenant has not sent any notice of default under the Lease Documents to Landlord, and there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Landlord thereunder, and that at the present time Tenant has no claim against Landlord under the Lease Documents.
7. Except as expressly set forth in Part G of Schedule 1, there are no provisions for any, and Tenant has no, options with respect to the Premises or all or any portion of the Property.
8. Except as set forth on Part M of Schedule 1, no action, voluntary or involuntary, is pending against Tenant under federal or state bankruptcy or insolvency law.
9. The undersigned has the authority to execute and deliver this Certificate on behalf of Tenant and acknowledges that all Mortgagees will rely upon this Certificate in purchasing the Property or extending credit to Landlord or its successors in interest.
10. This Certificate shall be binding upon the successors, assigns and representatives of Tenant and any party claiming through or under Tenant and shall inure to the benefit of all Mortgagees.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Tenant has executed this Certificate this ____ day of _____, 20__.

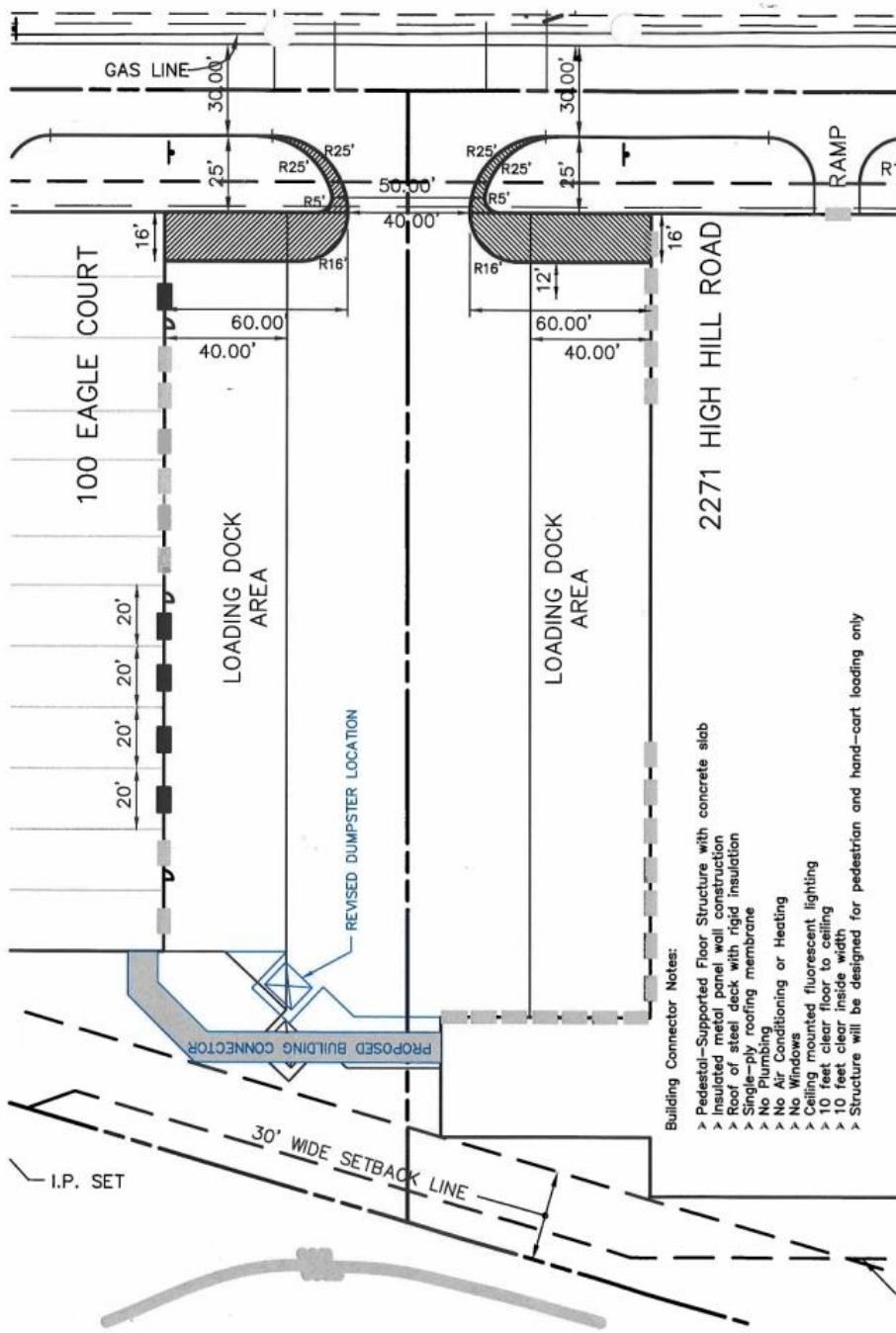
Name of Tenant

By: _____
Title: _____

SCHEDULE 1 TO TENANT ESTOPPEL CERTIFICATE

Lease Documents, Lease Terms and Current Status

- A. Date of Lease:
- B. Parties:
 - 1. Landlord:
 - 2. Tenant d/b/a:
- C. Premises known as:
- D. Modifications, Assignments, Supplements or Amendments to Lease:
- E. Commencement Date:
- F. Expiration of Current Term:
- G. Options:
- H. Security Deposit Paid to Landlord: \$
- I. Current Fixed Minimum Rent (Annualized): \$
- J. Current Additional Rent (and if applicable, Percentage Rent)(Annualized): \$
- K. Current Total Rent: \$
- L. Square Feet Demised:
- M. Tenant's Bankruptcy or other Insolvency Actions:



Building Connector Notes:

- > Pedestal-Supported Floor Structure with concrete slab
- > Insulated metal panel wall construction
- > Roof of steel deck with rigid insulation
- > Single-ply roofing membrane
- > No Plumbing
- > No Air Conditioning or Heating
- > No Windows
- > Ceiling mounted fluorescent lighting
- > 10 feet clear floor to ceiling
- > 10 feet clear inside width
- > Structure will be designed for pedestrian and hand-cart loading only

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "First Amendment") is made this 26th day of September, 2007, by and between **LIBERTY VENTURE I, LP**, a Delaware limited partnership ("Landlord"), and **J&J SNACK FOODS SALES CORP.**, a New Jersey corporation, successor in interest to J&J Snack Foods Corp. of New Jersey ("Tenant").

BACKGROUND:

A. Landlord's predecessor, Liberty Property Limited Partnership ("Liberty Property"), and Tenant (then known as J&J Snack Foods Corp. of New Jersey) entered into a Lease Agreement dated September 4, 2001 (the "Lease"), pursuant to which Liberty Property leased to Tenant the building (the "Building") owned by Liberty Property containing approximately 54,320 rentable square feet at 250 High Hill Road (now known as 2271 High Hill Road), Bridgeport, New Jersey, as more fully described in the Lease (the "Premises").

B. Landlord purchased the Building and became the Landlord under the Lease.

C. Tenant desires to extend the Term of the Lease and Landlord has agreed to such extension subject to the provisions of this First Amendment. Accordingly, Landlord and Tenant desire to amend the Lease.

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises and covenants contained herein and in the Lease, and intending to be legally bound hereby, agree that the Lease is amended as follows:

1. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
2. The "**TERM**" of the Lease is hereby extended for one (1) additional term of forty-eight (48) months (the "Extended Term") commencing on January 1, 2012 and expiring at 11:59 P.M. local time on December 31, 2015.
3. Section 1(c)(ii) of the Original Lease, defining "**EXPIRATION DATE**", is hereby amended to extend the Expiration Date until December 31, 2015.
4. Tenant's "**MINIMUM ANNUAL RENT**" obligation for the Extended Term shall be as follows:

Period	Annual	Monthly
1/1/12 - 12/31/12	\$317,772.00	\$26,481.00
1/1/13 - 12/31/13	\$323,204.00	\$26,933.67
1/1/14 - 12/31/14	\$328,636.00	\$27,386.33
1/1/15 - 12/31/15	\$334,068.00	\$27,839.00

5. Tenant accepts the Premises in its "as is" "where is" condition and Landlord shall have no obligations whatsoever to improve or pay for improvements to the Premises for Tenant's use and occupancy.

6. The parties agree that they have dealt with no brokers in connection with this First Amendment. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this First Amendment from any real estate brokers or agents with whom they may have dealt.

7. Except as expressly modified hereby, the Lease shall remain in full force and effect in accordance with its terms.

8. Tenant acknowledges and agrees that the Lease is in full force and effect and Tenant has no claims or offsets against Rent due or to become due hereunder.

9. This First Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

10. This First Amendment and the obligations of the parties hereunder are contingent upon the execution of a lease agreement, in form and substance satisfactory to Landlord, by and between Landlord and Tenant for that certain building containing approximately 38,400 rentable square feet at 100 Eagle Court, Bridgeport, New Jersey.

IN WITNESS WHEREOF, Landlord and Tenant, intending to be legally bound, have executed this First Amendment as of the day and year first above written.

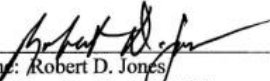
**LANDLORD:
LIBERTY VENTURE I, LP**

By: Liberty Venture I, LLC, Sole General Partner

By: Liberty Property Limited Partnership, Sole Member

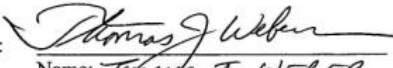
By: Liberty Property Trust, Sole General Partner

By:


Name: Robert D. Jones
Title: Vice President, City Manager

**TENANT:
J&J SNACK FOODS SALES CORP.**

By:


Name: THOMAS J. WEBER
Title: Vice President, Operation

THIS LEASE AGREEMENT is made by and between **LIBERTY PROPERTY LIMITED PARTNERSHIP**, a Pennsylvania limited partnership ("LANDLORD") with its address at 65 Valley Stream Parkway, Suite 100, Malvern, Pa. 19355 and **J & J SNACK FOODS CORP. OF NEW JERSEY** a Corporation organized under the laws of New Jersey ("TENANT") with its address at 6000 Central Highway, Pennsauken, NJ and is dated as of the date on which this lease has been fully executed by Landlord and Tenant.

1. Summary of Terms and Certain Definitions.

- (a) **"PREMISES"**: Approximate rentable square feet: 54,320
(Section 2) Suite: C
- (b) **"BUILDING"**: Approximate rentable square feet: 54,320
(§2) Address: 250 High Hill Rd.
Bridgeport, New Jersey

(c) **"TERM"**: One Hundred Twenty One (121) months plus any partial month from the Commencement Date until the first day (§5) of the first full calendar month during the Term

- (i) **"COMMENCEMENT DATE"**: December 1, 2001
- (ii) **"EXPIRATION DATE"**: See Section 5

(d) **Minimum Rent (§6) & Operating Expenses (§7)**

(i) **"MINIMUM ANNUAL RENT"**: **\$296,044.00** (Two Hundred Ninety Six Thousand Forty Four and 00/100 Dollars), payable in monthly installments of **\$24,670.33** (Twenty Four Thousand Six Hundred Seventy and 33/100 Dollars), increased as follows:

Lease Year	Annual	Monthly
2	\$296,044.00	\$24,670.33
3	\$301,476.00	\$25,123.00
4	\$306,908.00	\$25,575.67
5	\$312,340.00	\$26,028.33
6	\$317,772.00	\$26,481.00
7	\$323,204.00	\$26,933.67
8	\$328,636.00	\$27,386.33
9	\$334,068.00	\$27,839.00
10	\$339,500.00	\$28,291.67
11 (partial)	\$344,932.00	\$28,744.33

(ii) **Estimated "ANNUAL OPERATING EXPENSES"**: **\$91,200.00** (Ninety One Thousand Two Hundred and 00/100 Dollars), payable in monthly installments of **\$7,600.00** (Seven Thousand Six Hundred and 00/100 Dollars) subject to adjustment (§7(a))

- (e) **"PROPORTIONATE SHARE"** (§7(a)): 100.00% (Ratio of approximate rentable square feet in the premises to approximate rentable square feet in the Building)
- (f) **"USE"** (§4): Bakery.
- (g) **"SECURITY DEPOSIT"** (§28): \$15,000.00 (Fifteen Thousand Dollars)
- (h) **CONTENTS**: This lease consists of the Index, pages 1 through 11 containing Sections 1 through 28 and the following, all of which are attached hereto and made a part of this lease:
Rider with Sections 29 through 31.
Exhibits: "A" - Plan showing Premises "C" Building Rules
"B" - Commencement Certificate Form "D" Estoppel Certificate Form

2. **Premises.** Landlord hereby lets to Tenant and Tenant hereby leases from Landlord the Premises as shown on attached Exhibit "A" within the Building (the building and the lot on which it is located, the "PROPERTY"), together with the non-exclusive right with Landlord and other occupants of the Building to use all areas and facilities provided by Landlord for the use of all tenants in the Property including any driveways, sidewalks and parking, loading and landscaped areas (the "COMMON AREAS").

3. **Acceptance of Premises.** Tenant has examined and knows the condition of the Property, the zoning, streets, sidewalks, parking areas, curbs and access ways adjoining it, visible easements, any surface conditions and the present uses, and Tenant accepts them in the condition in which they now are, without relying on any representation, covenant or warranty by Landlord. Tenant and its agents shall have the right, at Tenant's own risk, expense and responsibility, at all reasonable times prior to the Commencement Date, to enter the Premises for the purpose of taking measurements and installing its furnishings and equipment; provided that the Premises are vacant and Tenant obtains Landlord's prior written consent.

4. **Use; Compliance.**

(a) **Permitted Use.** Tenant shall occupy and use the Premises for and only for the Use specified in Section 1(f) above and in such a manner as is lawful, reputable and will not create any nuisance or otherwise interfere with any other tenant's normal operations or the management of the Building. Without limiting the foregoing, such Use shall exclude any use that would cause the Premises or the Property to be deemed a "place of public accommodation" under the Americans with Disabilities Act (the "ADA") as further described in the Building Rules (defined below). All Common Areas shall be subject to Landlord's exclusive control and management at all times. Tenant shall not use or permit the use of any portion of the Property for outdoor storage or installations outside of the Premises nor for any use that would interfere with any other person's use of any portion of the Property outside of the Premises.

(b) **Compliance.** Landlord represents that, as of the date of this lease, there is no action required with respect to the Premises or Common Areas under any laws (including Title III of the ADA), ordinances, notices, orders, rules, regulations and requirements applicable to the Premises or to the Common Areas. From and after the Commencement Date, Tenant shall comply promptly, at its sole expense, (including making any alterations or improvements) with all laws (including the ADA), ordinances, notices, orders, rules, regulations and requirements regulating the Property during the Term which impose any duty upon Landlord or Tenant with respect to Tenant's use, occupancy or alteration of, or Tenant's installations in or upon, the Property including the Premises, (as the same may be amended, the "LAWS AND REQUIREMENTS") and the building rules attached as Exhibit "C", as amended by Landlord from time to time (the "BUILDING RULES"). Provided, however, that Tenant shall not be required to comply with the Laws and Requirements with respect to the footings, foundations, structural steel columns and girders forming a part of the Property unless the need for such compliance arises out of Tenant's use, occupancy or alteration of the Property, or by any act or omission of Tenant or any employees, agents, contractors, licensees or invitees ("AGENTS") of Tenant. With respect to Tenant's obligations as to the Property, other than the Premises, at Landlord's option and at Tenant's expense, Landlord may comply with any repair, replacement or other construction requirements of the Laws and Requirements and Tenant shall pay to Landlord all costs thereof as additional rent.

(c) **Environmental.** Tenant shall comply, at its sole expense, with all Laws and Requirements as set forth above, all manufacturers' instructions and all requirements of insurers relating to the treatment, production, storage, handling, transfer, processing, transporting, use, disposal and release of hazardous substances, hazardous mixtures, chemicals, pollutants, petroleum products, toxic or radioactive matter (the "RESTRICTED ACTIVITIES"). Tenant shall deliver to Landlord copies of all Material Safety Data Sheets or other written information prepared by manufacturers, importers or suppliers of any chemical and all notices, filings, permits and any other written communications from or to Tenant and any entity regulating any Restricted Activities.

(d) **Notice.** If at any time during or after the Term, Tenant becomes aware of any inquiry, investigation or proceeding regarding the Restricted Activities or becomes aware of any claims, actions or investigations regarding the ADA, Tenant shall give Landlord written notice, within 5 days after first learning thereof, providing all available information and copies of any notices.

5. **Term.** The Term of this lease shall commence on the Commencement Date and shall end at 11:59 p.m. on the last day of the Term (the "EXPIRATION DATE"), without the necessity for notice from either party, unless sooner terminated in accordance with the terms hereof. At Landlord's request, Tenant shall confirm the Commencement Date and Expiration Date by executing a lease commencement certificate in the form attached as Exhibit "B".

6. **Minimum Annual Rent.** Tenant agrees to pay to Landlord the Minimum Annual Rent in equal monthly installments in the amount set forth in Section 1(d) (as increased at the beginning of each lease year as set forth in Section 1(d)), in advance, on the first day of each calendar month during the Term, without notice, demand or setoff, at Landlord's address designated at the beginning of

this lease unless Landlord designates otherwise; provided that rent for the first full month shall be paid at the signing of this lease. If the Commencement Date falls on a day other than the first day of a calendar month, the rent shall be apportioned pro rata on a per diem basis for the period from the Commencement Date until the first day of the following calendar month and shall be paid on or before the Commencement Date. As used in this lease, the term "lease year" means the period from the Commencement Date through the succeeding 12 full calendar months (including for the first lease year any partial month from the Commencement Date until the first day of the first full calendar month) and each successive 12 month period thereafter during the Term.

7. Operation of Property; Payment of Expenses.

(a) **Payment of Operating Expenses.** Tenant shall pay to Landlord the Annual Operating Expenses in equal monthly installments in the amount set forth in Section 1(d) (prorated for any partial month), from the Commencement Date and continuing throughout the Term on the first day of each calendar month during the Term, as additional rent, without notice, demand or setoff, provided that the monthly installment for the first full month shall be paid at the signing of this lease. Landlord shall apply such payments to the operating expenses owed to Landlord by Tenant pursuant to the following Sections 7(b)-(f). The amount of the Annual Operating Expenses set forth in Section 1(d) represents Tenant's Proportionate Share of the estimated operating expenses during the first calendar year of the Term on an annualized basis; from time to time Landlord may adjust such estimated amount if the estimated operating expenses increase. By April 30th of each year (and as soon as practical after the expiration or termination of this lease or at any time in the event of a sale of the Property), Landlord shall provide Tenant with a statement of the actual amount of such expenses for the preceding calendar year or part thereof. Landlord or Tenant shall pay to the other the amount of any deficiency or overpayment then due from one to the other or, at Landlord's option, Landlord may credit Tenant's account for any overpayment. Tenant's obligation to pay the Annual Operating Expenses pursuant to this Section 7 shall survive the expiration or termination of this lease.

(b) **Taxes and Other Impositions.** Tenant shall pay prior to delinquency all levies, taxes (including sales taxes and gross receipt taxes), assessments, liens, license and permit fees, which are applicable to the Term, and which are imposed by any authority or under any law, ordinance or regulation thereof, or pursuant to any recorded covenants or agreements, and the reasonable cost of contesting any of the foregoing (the "IMPOSITIONS") upon or with respect to the Premises, or any improvements thereto, or directly upon this lease or the Rent (defined in Section 7(f)) or amounts payable by any subtenants or other occupants of the Premises, or against Landlord because of Landlord's estate or interest herein. Additionally, Tenant shall pay as aforesaid its Proportionate Share of any Imposition which is not imposed upon the Premises as a separate entity but which is imposed upon all or part of the Property or upon the leases or rents relating to the Property.

(i) Nothing herein contained shall be interpreted as requiring Tenant to pay any income, excess profits or corporate capital stock tax imposed or assessed upon Landlord, unless such tax or any similar tax is levied or assessed in lieu of all or any part of any Imposition or an increase in any Imposition.

(ii) If it shall not be lawful for Tenant to reimburse Landlord for any of the Impositions, the Minimum Annual Rent shall be increased by the amount of the portion of such Imposition allocable to Tenant, unless prohibited by law.

(c) **Insurance.**

(i) **Property.** Landlord shall keep in effect, and Tenant shall pay to Landlord its Proportionate Share of the cost of, insurance against loss or damage to the Building or the Property by fire and such other casualties as may be included within fire, extended coverage and special form insurance covering the full replacement cost of the Building (but excluding coverage of Tenant's personal property in, and any alterations by Tenant to, the Premises), and such other insurance as Landlord may reasonably deem appropriate or as may be required from time-to-time by any mortgagee.

(ii) **Liability.** Tenant, at its own expense, shall keep in effect comprehensive general public liability insurance with respect to the Premises and the Property, including contractual liability insurance, with such limits of liability for bodily injury (including death) and property damage as reasonably may be required by Landlord from time-to-time, but not less than a combined single limit of \$1,000,000 per occurrence and a general aggregate limit of not less than \$3,000,000 (which aggregate limit shall apply separately to each of Tenant's locations if more than the Premises); however, such limits shall not limit the liability of Tenant hereunder. The policy of comprehensive general public liability insurance also shall name Landlord and Landlord's agent as insured parties with respect to the Premises, shall be written on an "occurrence" basis and not on a "claims made" basis, shall provide that it is primary with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, shall provide that it shall not be cancelable or reduced without at least 30 days prior written notice to Landlord and shall be issued in form satisfactory to Landlord. The insurer shall be a responsible insurance carrier which is authorized to issue such insurance and licensed to do business in the state in which the Property is located and which has at all times during the Term a rating of no less than A VII in the most current edition of *Best's Insurance Reports*. Tenant shall deliver to Landlord on or before the

Commencement Date, and subsequent renewals of, a certificate of insurance evidencing such coverage and the waiver of subrogation described below.

(iii) **Waiver of Subrogation.** Landlord and Tenant shall have included in their respective property insurance policies waivers of their respective insurers' right of subrogation against the other party. If such a waiver should be unobtainable or unenforceable, then such policies of insurance shall state expressly that such policies shall not be invalidated if, before a casualty, the insured waives the right of recovery against any party responsible for a casualty covered by the policy.

(iv) **Increase of Premiums.** Tenant agrees not to do anything or fail to do anything which will increase the cost of Landlord's insurance or which will prevent Landlord from procuring policies (including public liability) from companies and in a form satisfactory to Landlord. If any breach of the preceding sentence by Tenant causes the rate of fire or other insurance to be increased, Tenant shall pay the amount of such increase as additional rent promptly upon being billed.

(d) **Repairs and Maintenance; Common Areas; Building Management.** Except as specifically otherwise provided in this Section (d), Tenant at its sole expense shall maintain the Premises in good order and condition, promptly make all repairs necessary to maintain such condition, and repair any damage to the Premises caused by Tenant or its Agents. All repairs made by Tenant shall utilize materials and equipment which are comparable to those originally used in constructing the Building and Premises. When used in this Section (d), the term "repairs" shall include replacements and renewals when necessary.

(i) Landlord, at its sole expense, shall make all necessary repairs to the footings, foundations, structural steel columns and girders forming a part of the Premises, provided that Landlord shall have no responsibility to make any repair until Landlord receives written notice of the need for such repair.

(ii) Landlord, at Tenant's sole expense, shall maintain and repair the HVAC systems appurtenant to the Premises.

(iii) Landlord shall make all necessary repairs to the roof, exterior portions of the Premises and the Building, utility and communications lines, equipment and facilities in the Building, which serve more than one tenant, and to the Common Areas, the cost of which shall be an operating expense of which Tenant shall pay its Proportionate Share, provided that Landlord shall have no responsibility to make any repair until Landlord receives written notice of the need for such repair. Landlord shall operate and manage the Property and shall maintain all Common Areas and any paved areas appurtenant to the Property in a clean and orderly condition. Landlord reserves the right to make alterations to the Common Areas from time to time. Operating expenses also shall include (A) all sums expended by Landlord for the supervision, maintenance, repair, replacement and operation of the Common Areas (including the costs of utility services), (B) any costs of building improvements made by Landlord to the Property that are required by any governmental authority or for the purpose of reducing operating expenses and (C) a management and administrative fee applicable to the overall operation of the Property.

(iv) Notwithstanding anything herein to the contrary, repairs and replacements to the Property including the Premises made necessary by Tenant's use, occupancy or alteration of, or Tenant's installation in or upon the Property or by any act or omission of Tenant or its Agents shall be made at the sole expense of Tenant to the extent not covered by any applicable insurance proceeds paid to Landlord. Tenant shall not bear the expense of any repairs or replacements to the Property arising out of or caused by any other tenant's use, occupancy or alteration of, or any other tenant's installation in or upon, the Property or by any act or omission of any other tenant or any other tenant's Agents.

(e) **Utility Charges.** Tenant shall pay for water, sewer, gas, electricity, heat, power, telephone and other communication services and any other utilities supplied to or consumed in or on the Premises. Landlord shall not be responsible or liable for any interruption in utility service, nor shall such interruption affect the continuation or validity of this lease.

(f) **Net lease.** Except for the obligations of Landlord expressly set forth herein, this lease is a "triple net lease" and Landlord shall receive the Minimum Annual Rent as net income from the Premises, not diminished by any expenses other than payments under any mortgages, and Landlord is not and shall not be required to render any services of any kind to Tenant. The term "RENT" as used in this lease means the Minimum Annual Rent, Annual Operating Expenses and any other additional rent or sums payable by Tenant to Landlord pursuant to this lease, all of which shall be deemed rent for purposes of Landlord's rights and remedies with respect thereto. Tenant shall pay all Rent to Landlord within 30 days after Tenant is billed, unless otherwise provided in this lease, and interest shall accrue on all sums due but unpaid.

8. **Signs.** Except for signs which are located wholly within the interior of the Premises and not visible from the exterior of the Premises, no signs shall be placed on the Property without the prior written consent of Landlord. All signs installed by Tenant shall

be maintained by Tenant in good condition and Tenant shall remove all such signs at the termination of this lease and shall repair any damage caused by such installation, existence or removal.

9. Alterations and Fixtures.

(a) Subject to Section 10, Tenant shall have the right to install its trade fixtures in the Premises, provided that no such installation or removal thereof shall affect any structural portion of the Property nor any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant. At the expiration or termination of this lease and at the option of Landlord or Tenant, Tenant shall remove such installation(s) and, in the event of such removal, Tenant shall repair any damage caused by such installation or removal; if Tenant, with Landlord's written consent, elects not to remove such installation(s) at the expiration or termination of this lease, all such installations shall remain on the Property and become the property of Landlord without payment by Landlord.

(b) Except for non-structural changes which do not exceed \$5000 in the aggregate, Tenant shall not make or permit to be made any alterations to the Premises without Landlord's prior written consent. Tenant shall pay the costs of any required architectural/engineering reviews. In making any alterations, (i) Tenant shall deliver to Landlord the plans, specifications and necessary permits, together with certificates evidencing that Tenant's contractors and subcontractors have adequate insurance coverage naming Landlord and Landlord's agent as additional insureds, at least 10 days prior to commencement thereof, (ii) such alterations shall not impair the structural strength of the Building or any other improvements or reduce the value of the Property or affect any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant, (iii) Tenant shall comply with Section 10 and (iv) the occupants of the Building and of any adjoining property shall not be disturbed thereby. All alterations to the Premises by Tenant shall be the property of Tenant until the expiration or termination of this lease; at that time all such alterations shall remain on the Property and become the property of Landlord without payment by Landlord unless Landlord gives written notice to Tenant to remove the same, in which event Tenant will remove such alterations and repair any resulting damage. At Tenant's request prior to Tenant making any alterations, Landlord shall notify Tenant in writing, whether Tenant is required to remove such alterations at the expiration or termination of this lease.

10. Mechanics' Liens. Tenant shall pay promptly any contractors and materialmen who supply labor, work or materials to Tenant at the Property and shall take all steps permitted by law in order to avoid the imposition of any mechanic's lien upon all or any portion of the Property. Should any such lien or notice of lien be filed for work performed for Tenant other than by Landlord, Tenant shall bond against or discharge the same within 5 days after Tenant has notice that the lien or claim is filed regardless of the validity of such lien or claim. Nothing in this lease is intended to authorize Tenant to do or cause any work to be done or materials to be supplied for the account of Landlord, all of the same to be solely for Tenant's account and at Tenant's risk and expense. Throughout this lease the term "mechanic's lien" is used to include any lien, encumbrance or charge levied or imposed upon all or any portion of, interest in or income from the Property on account of any mechanic's, laborer's, materialman's or construction lien or arising out of any debt or liability to or any claim of any contractor, mechanic, supplier, materialman or laborer and shall include any mechanic's notice of intention to file a lien given to Landlord or Tenant, any stop order given to Landlord or Tenant, any notice of refusal to pay naming Landlord or Tenant and any injunctive or equitable action brought by any person claiming to be entitled to any mechanic's lien.

11. Landlord's Right of Entry. Tenant shall permit Landlord and its Agents to enter the Premises at all reasonable times following reasonable notice (except in the event of an emergency), for the purpose of inspection, maintenance or making repairs, alterations or additions as well as to exhibit the Premises for the purpose of sale or mortgage and, during the last 12 months of the Term, to exhibit the Premises to any prospective tenant. Landlord will make reasonable efforts not to inconvenience Tenant in exercising the foregoing rights, but shall not be liable for any loss of occupation or quiet enjoyment thereby occasioned.

12. Damage by Fire or Other Casualty.

(a) If the Premises or Building shall be damaged or destroyed by fire or other casualty, Tenant promptly shall notify Landlord and Landlord, subject to the conditions set forth in this Section 12, shall repair such damage and restore the Premises to substantially the same condition in which they were immediately prior to such damage or destruction, but not including the repair, restoration or replacement of the fixtures or alterations installed by Tenant. Landlord shall notify Tenant in writing, within 30 days after the date of the casualty, if Landlord anticipates that the restoration will take more than 180 days from the date of the casualty to complete; in such event, either Landlord or Tenant may terminate this lease effective as of the date of casualty by giving written notice to the other within 10 days after Landlord's notice. Further, if a casualty occurs during the last 12 months of the Term or any extension thereof, Landlord may cancel this lease unless Tenant has the right to extend the Term for at least 3 more years and does so within 30 days after the date of the casualty.

(b) Landlord shall maintain a month rental coverage endorsement or other comparable form of coverage as part of its fire, extended coverage and special form insurance. Tenant will receive an abatement of its Minimum Annual Rent and Annual Operating Expenses to the extent the Premises are rendered untenable as determined by the carrier providing the rental coverage endorsement.

13. Condemnation.

(a) **Termination.** If (i) all of the Premises are taken by a condemnation or otherwise for any public or quasi-public use, (ii) any part of the Premises is so taken and the remainder thereof is insufficient for the reasonable operation of Tenant's business or (iii) any of the Property is so taken, and, in Landlord's opinion, it would be impractical or the condemnation proceeds are insufficient to restore the remainder of the Property, then this lease shall terminate and all unaccrued obligations hereunder shall cease as of the day before possession is taken by the condemnor.

(b) **Partial Taking.** If there is a condemnation and this lease has not been terminated pursuant to this Section, (i) Landlord shall restore the Building and the improvements which are a part of the Premises to a condition and size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the date upon which the condemnor took possession and (ii) the obligations of Landlord and Tenant shall be unaffected by such condemnation except that there shall be an equitable abatement of the Minimum Annual Rent according to the rental value of the Premises before and after the date upon which the condemnor took possession and/or the date Landlord completes such restoration.

(c) **Award.** In the event of a condemnation affecting Tenant, Tenant shall have the right to make a claim against the condemnor for moving expenses and business dislocation damages to the extent that such claim does not reduce the sums otherwise payable by the condemnor to Landlord. Except as aforesaid and except as set forth in (d) below, Tenant hereby assigns all claims against the condemnor to Landlord.

(d) **Temporary Taking.** No temporary taking of the Premises shall terminate this lease or give Tenant any right to any rental abatement. Such a temporary taking will be treated as if Tenant had sublet the Premises to the condemnor and had assigned the proceeds of the subletting to Landlord to be applied on account of Tenant's obligations hereunder. Any award for such a temporary taking during the Term shall be applied first, to Landlord's costs of collection and, second, on account of sums owing by Tenant hereunder, and if such amounts applied on account of sums owing by Tenant hereunder should exceed the entire amount owing by Tenant for the remainder of the Term, the excess will be paid to Tenant.

14. **Non-Abatement of Rent.** Except as otherwise expressly provided as to damage by fire or other casualty in Section 12(b) and as to condemnation in Section 13(b), there shall be no abatement or reduction of the Rent for any cause whatsoever, and this lease shall not terminate, and Tenant shall not be entitled to surrender the Premises.

15. **Indemnification of Landlord.** Subject to Sections 7(c)(iii) and 16, Tenant will protect, indemnify and hold harmless Landlord and its Agents from and against any and all claims, actions, damages, liability and expense (including fees of attorneys, investigators and experts) in connection with loss of life, personal injury or damage to property in or about the Premises or arising out of the occupancy or use of the Premises by Tenant or its Agents or occasioned wholly or in part by any act or omission of Tenant or its Agents, whether prior to, during or after the Term, except to the extent such loss, injury or damage was caused by the negligence of Landlord or its Agents. In case any action or proceeding is brought against Landlord and/or its Agents by reason of the foregoing, Tenant, at its expense, shall resist and defend such action or proceeding, or cause the same to be resisted and defended by counsel (reasonably acceptable to Landlord and its Agents) designated by the insurer whose policy covers such occurrence or by counsel designated by Tenant and approved by Landlord and its Agents. Tenant's obligations pursuant to this Section 15 shall survive the expiration or termination of this lease.

16. **Waiver of Claims.** Landlord and Tenant each hereby waives all claims for recovery against the other for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party or its Agents; provided, however, that such waiver by Landlord shall not be effective with respect to any liability of Tenant described in Sections 4(c) and 7(d)(iv).

17. **Quiet Enjoyment.** Landlord covenants that Tenant, upon performing all of its covenants, agreements and conditions of this lease, shall have quiet and peaceful possession of the Premises as against anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this lease.

18. Assignment and Subletting.

(a) **Limitation.** Tenant shall not transfer this lease, voluntarily or by operation of law, without the prior written consent of Landlord which shall not be withheld unreasonably. However, Landlord's consent shall not be required in the event of any transfer by Tenant to an affiliate of Tenant which is at least as creditworthy as Tenant as of the date of this lease and provided Tenant delivers to Landlord the instrument described in Section (c)(iii) below, together with a certification of such creditworthiness by Tenant and such affiliate. Any transfer not in conformity with this Section 18 shall be void at the option of Landlord, and Landlord may exercise any or all of its rights under Section 23. A consent to one transfer shall not be deemed to be a consent to any subsequent transfer. "Transfer" shall include any sublease, assignment, license or concession agreement, change in ownership or control of Tenant, mortgage or hypothecation of this lease or Tenant's interest therein or in all or a portion of the Premises.

(b) **Offer to Landlord.** Tenant acknowledges that the terms of this lease, including the Minimum Annual Rent, have been based on the understanding that Tenant physically shall occupy the Premises for the entire Term. Therefore, upon Tenant's request to transfer all or a portion of the Premises, at the option of Landlord, Tenant and Landlord shall execute an amendment to this lease removing such space from the Premises, Tenant shall be relieved of any liability with respect to such space and Landlord shall have the right to lease such space to any party, including Tenant's proposed transferee.

(c) **Conditions.** Notwithstanding the above, the following shall apply to any transfer, with or without Landlord's consent:

(i) As of the date of any transfer, Tenant shall not be in default under this lease nor shall any act or omission have occurred which would constitute a default with the giving of notice and/or the passage of time.

(ii) No transfer shall relieve Tenant of its obligation to pay the Rent and to perform all its other obligations hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this lease or to be a consent to any transfer.

(iii) Each transfer shall be by a written instrument in form and substance satisfactory to Landlord which shall (A) include an assumption of liability by any transferee of all Tenant's obligations and the transferee's ratification of and agreement to be bound by all the provisions of this lease, (B) afford Landlord the right of direct action against the transferee pursuant to the same remedies as are available to Landlord against Tenant and (C) be executed by Tenant and the transferee.

(iv) Tenant shall pay, within 10 days of receipt of an invoice which shall be no less than \$250, Landlord's reasonable attorneys' fees and costs in connection with the review, processing and documentation of any transfer for which Landlord's consent is requested.

19. Subordination: Mortgagee's Rights.

(a) This lease shall be subordinate to any first mortgage or other primary encumbrance now or hereafter affecting the Premises. Although the subordination is self-operative, within 10 days after written request, Tenant shall execute and deliver any further instruments confirming such subordination of this lease and any further instruments of attornment that may be desired by any such mortgagee or Landlord. However, any mortgagee may at any time subordinate its mortgage to this lease, without Tenant's consent, by giving written notice to Tenant, and thereupon this lease shall be deemed prior to such mortgage without regard to their respective dates of execution and delivery; provided, however, that such subordination shall not affect any mortgagee's right to condemnation awards, casualty insurance proceeds, intervening liens or any right which shall arise between the recording of such mortgage and the execution of this lease.

(b) It is understood and agreed that any mortgagee shall not be liable to Tenant for any funds paid by Tenant to Landlord unless such funds actually have been transferred to such mortgagee by Landlord.

(c) Notwithstanding the provisions of Sections 12 and 13 above, Landlord's obligation to restore the Premises after a casualty or condemnation shall be subject to the consent and prior rights of Landlord's first mortgagee.

20. Recording; Tenant's Certificate. Tenant shall not record this lease or a memorandum thereof without Landlord's prior written consent. Within 10 days after Landlord's written request from time to time:

(a) Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying the Commencement Date and Expiration Date of this lease, that this lease is in full force and effect and has not been modified and otherwise as set forth in the

form of estoppel certificate attached as Exhibit "D" or with such modifications as may be necessary to reflect accurately the stated facts and/or such other certifications as may be requested by a mortgagee or purchaser. Tenant understands that its failure to execute such documents may cause Landlord serious financial damage by causing the failure of a financing or sale transaction.

(b) Tenant shall furnish to Landlord, Landlord's mortgagee, prospective mortgagee or purchaser reasonably requested financial information.

21. Surrender; Abandoned Property.

(a) Subject to the terms of Sections 9(b), 12(a) and 13(b), at the expiration or termination of this lease, Tenant promptly shall yield up in the same condition, order and repair in which they are required to be kept throughout the Term, the Premises and all improvements thereto, and all fixtures and equipment servicing the Building, ordinary wear and tear excepted.

(b) Upon or prior to the expiration or termination of this lease, Tenant shall remove any personal property from the Property. Any personal property remaining thereafter shall be deemed conclusively to have been abandoned, and Landlord, at Tenant's expense, may remove, store, sell or otherwise dispose of such property in such manner as Landlord may see fit and/or Landlord may retain such property as its property. If any part thereof shall be sold, then Landlord may receive and retain the proceeds of such sale and apply the same, at its option, against the expenses of the sale, the cost of moving and storage and any Rent due under this lease.

(c) If Tenant, or any person claiming through Tenant, shall continue to occupy the Premises after the expiration or termination of this lease or any renewal thereof, such occupancy shall be deemed to be under a month-to-month tenancy under the same terms and conditions set forth in this lease, except that the monthly installment of the Minimum Annual Rent during such continued occupancy shall be double the amount applicable to the last month of the Term. Anything to the contrary notwithstanding, any holding over by Tenant without Landlord's prior written consent shall constitute a default hereunder and shall be subject to all the remedies available to Landlord.

22. Curing Tenant's Defaults. If Tenant shall be in default in the performance of any of its obligations hereunder, Landlord, without any obligation to do so, in addition to any other rights it may have in law or equity, may elect to cure such default on behalf of Tenant after written notice (except in the case of emergency) to Tenant. Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including interest thereon from the respective dates of Landlord's incurring such costs, which sums and costs together with interest shall be deemed additional rent.

23. Defaults - Remedies.

(a) Defaults. It shall be an event of default:

(i) If Tenant does not pay in full when due any and all Rent;

(ii) If Tenant fails to observe and perform or otherwise breaches any other provision of this lease;

(iii) If Tenant abandons the Premises, which shall be conclusively presumed if the Premises remain unoccupied for more than 10 consecutive days, or removes or attempts to remove Tenant's goods or property other than in the ordinary course of business; or

(iv) If Tenant becomes insolvent or bankrupt in any sense or makes a general assignment for the benefit of creditors or offers a settlement to creditors, or if a petition in bankruptcy or for reorganization or for an arrangement with creditors under any federal or state law is filed by or against Tenant, or a bill in equity or other proceeding for the appointment of a receiver for any of Tenant's assets is commenced, or if any of the real or personal property of Tenant shall be levied upon; provided, however, that any proceeding brought by anyone other than Landlord or Tenant under any bankruptcy, insolvency, receivership or similar law shall not constitute a default until such proceeding has continued unstayed for more than 60 consecutive days.

(b) Remedies. Then, and in any such event, Landlord shall have the following rights:

(i) To charge a late payment fee equal to the greater of \$100 or 5% of any amount owed to Landlord pursuant to this lease which is not paid within 5 days after the due date.

(ii) To enter and repossess the Premises, by breaking open locked doors if necessary, and remove all persons and all or any property therefrom, by action at law or otherwise, without being liable for prosecution or damages therefor, and Landlord may,

at Landlord's option, make alterations and repairs in order to relet the Premises and relet all or any part(s) of the Premises for Tenant's account. Tenant agrees to pay to Landlord on demand any deficiency that may arise by reason of such reletting. In the event of reletting without termination of this lease, Landlord may at any time thereafter elect to terminate this lease for such previous breach.

(iii) To accelerate the whole or any part of the Rent for the balance of the Term, and declare the same to be immediately due and payable.

(iv) To terminate this lease and the Term without any right on the part of Tenant to save the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken.

(c) **Grace Period.** Notwithstanding anything hereinabove stated, neither party will exercise any available right because of any default of the other, except those remedies contained in subsection (b)(i) of this Section, unless such party shall have first given 10 days written notice thereof to the defaulting party, and the defaulting party shall have failed to cure the default within such period; provided, however, that:

(i) No such notice shall be required if Tenant fails to comply with the provisions of Sections 10 or 20(a), in the case of emergency as set forth in Section 22 or in the event of any default enumerated in subsections (a)(iii) and (iv) of this Section.

(ii) Landlord shall not be required to give such 10 days notice more than 2 times during any 12 month period.

(iii) If the default consists of something other than the failure to pay money which cannot reasonably be cured within 10 days, neither party will exercise any right if the defaulting party begins to cure the default within the 10 days and continues actively and diligently in good faith to completely cure said default.

(iv) Tenant agrees that any notice given by Landlord pursuant to this Section which is served in compliance with Section 27 shall be adequate notice for the purpose of Landlord's exercise of any available remedies.

(d) **Non-Waiver; Non-Exclusive.** No waiver by Landlord of any breach by Tenant shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach. Efforts by Landlord to mitigate the damages caused by Tenant's default shall not constitute a waiver of Landlord's right to recover damages hereunder. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy provided herein or by law, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the total amount due Landlord under this lease shall be deemed to be other than on account, nor shall any endorsement or statement on any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of Rent due, or Landlord's right to pursue any other available remedy.

(e) **Costs and Attorneys' Fees.** If either party commences an action against the other party arising out of or in connection with this lease, the prevailing party shall be entitled to have and recover from the losing party attorneys' fees, costs of suit, investigation expenses and discovery costs, including costs of appeal.

24. Representations of Tenant. Tenant represents to Landlord and agrees that:

(a) The word "Tenant" as used herein includes the Tenant named above as well as its successors and assigns, each of which shall be under the same obligations and liabilities and each of which shall have the same rights, privileges and powers as it would have possessed had it originally signed this lease as Tenant. Each and every of the persons named above as Tenant shall be bound jointly and severally by the terms, covenants and agreements contained herein. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant immediate or remote, unless Tenant has complied with the terms of Section 18 and the assignment to such assignee is permitted or has been approved in writing by Landlord. Any notice required or permitted by the terms of this lease may be given by or to any one of the persons named above as Tenant, and shall have the same force and effect as if given by or to all thereof.

(b) If Tenant is a corporation, partnership or any other form of business association or entity, Tenant is duly formed and in good standing, and has full corporate or partnership power and authority, as the case may be, to enter into this lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this lease constitutes a valid and binding obligation enforceable in accordance with its terms. Tenant shall provide

Landlord with corporate resolutions certifying her proof in a form acceptable to Landlord, authorizing the execution of this lease at the time of such execution.

25. Liability of Landlord. The word "Landlord" as used herein includes the Landlord named above as well as its successors and assigns, each of which shall have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this lease as Landlord. Any such person or entity, whether or not named herein, shall have no liability hereunder after it ceases to hold title to the Premises except for obligations already accrued (and, as to any unapplied portion of Tenant's Security Deposit, Landlord shall be relieved of all liability therefor upon transfer of such portion to its successor in interest) and Tenant shall look solely to Landlord's successor in interest for the performance of the covenants and obligations of the Landlord hereunder which thereafter shall accrue. Neither Landlord nor any principal of Landlord nor any owner of the Property, whether disclosed or undisclosed, shall have any personal liability with respect to any of the provisions of this lease or the Premises, and if Landlord is in breach or default with respect to Landlord's obligations under this lease or otherwise, Tenant shall look solely to the equity of Landlord in the Property for the satisfaction of Tenant's claims. Notwithstanding the foregoing, no mortgagee or ground lessor succeeding to the interest of Landlord hereunder (either in terms of ownership or possessory rights) shall be (a) liable for any previous act or omission of a prior landlord, (b) subject to any rental offsets or defenses against a prior landlord or (c) bound by any amendment of this lease made without its written consent, or by payment by Tenant of Minimum Annual Rent in advance in excess of one monthly installment.

26. Interpretation; Definitions.

(a) **Captions.** The captions in this lease are for convenience only and are not a part of this lease and do not in any way define, limit, describe or amplify the terms and provisions of this lease or the scope or intent thereof.

(b) **Entire Agreement.** This lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises or the Property. No rights, easements or licenses are acquired in the Property or any land adjacent to the Property by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. This lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural number. The word "including" followed by any specific item(s) is deemed to refer to examples rather than to be words of limitation. Both parties having participated fully and equally in the negotiation and preparation of this lease, this lease shall not be more strictly construed, nor any ambiguities in this lease resolved, against either Landlord or Tenant.

(c) **Covenants.** Each covenant, agreement, obligation, term, condition or other provision herein contained shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making the same, not dependent on any other provision of this lease unless otherwise expressly provided. All of the terms and conditions set forth in this lease shall apply throughout the Term unless otherwise expressly set forth herein.

(d) **Interest.** Wherever interest is required to be paid hereunder, such interest shall be at the highest rate permitted under law but not in excess of 15% per annum.

(e) **Severability; Governing Law.** If any provisions of this lease shall be declared unenforceable in any respect, such unenforceability shall not affect any other provision of this lease, and each such provision shall be deemed to be modified, if possible, in such a manner as to render it enforceable and to preserve to the extent possible the intent of the parties as set forth herein. This lease shall be construed and enforced in accordance with the laws of the state in which the Property is located.

(f) **"Mortgage" and "Mortgagee."** The word "mortgage" as used herein includes any lien or encumbrance on the Premises or the Property or on any part of or interest in or appurtenance to any of the foregoing, including without limitation any ground rent or ground lease if Landlord's interest is or becomes a leasehold estate. The word "mortgagee" as used herein includes the holder of any mortgage, including any ground lessor if Landlord's interest is or becomes a leasehold estate. Wherever any right is given to a mortgagee, that right may be exercised on behalf of such mortgagee by any representative or servicing agent of such mortgagee.

(g) **"Person."** The word "person" is used herein to include a natural person, a partnership, a corporation, an association and any other form of business association or entity.

(h) **Proportionate Share.** At any time or times, upon request of Landlord or of any tenant of the Building, the method for allocating Tenant's Proportionate Share of any impositions, cost, charge, rent, expense or payment then or thereafter payable shall be redetermined by an independent qualified expert. The cost of such redetermination shall be borne by the tenants of the Building in

the same proportion as that determined by such expert for reallocation of said relevant sum; except that if such redetermination is requested by a tenant, the cost thereof shall be borne entirely by such tenant if the proportionate share of said relevant sum allocable to such tenant as the result of such redetermination shall not vary by at least 5% from the amount which would have been allocable to such tenant in accordance with the percentage based on square foot area.

27. **Notices.** Any notice or other communication under this lease shall be in writing and addressed to Landlord or Tenant at their respective addresses specified at the beginning of this lease, except that after the Commencement Date Tenant's address shall be at the Premises, (or to such other address as either may designate by notice to the other) with a copy to any mortgagee or other party designated by Landlord. Each notice or other communication shall be deemed given if sent by prepaid overnight delivery service or by certified mail, return receipt requested, postage prepaid or in any other manner, with delivery in any case evidenced by a receipt, and shall be deemed received on the day of actual receipt by the intended recipient or on the business day delivery is refused. The giving of notice by Landlord's attorneys, representatives and agents under this Section shall be deemed to be the acts of Landlord; however, the foregoing provisions governing the date on which a notice is deemed to have been received shall mean and refer to the date on which a party to this lease, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

28. **Security Deposit.** At the time of signing this lease, Tenant shall deposit with Landlord the Security Deposit to be retained by Landlord as cash security for the faithful performance and observance by Tenant of the provisions of this lease. Tenant shall not be entitled to any interest whatever on the Security Deposit. Landlord shall have the right to commingle the Security Deposit with its other funds. Landlord may use the whole or any part of the Security Deposit for the payment of any amount as to which Tenant is in default hereunder or to compensate Landlord for any loss or damage it may suffer by reason of Tenant's default under this lease. If Landlord uses all or any portion of the Security Deposit as herein provided, within 10 days after written demand therefor, Tenant shall pay Landlord cash in amount equal to that portion of the Security Deposit used by Landlord. If Tenant shall comply fully and faithfully with all of the provisions of this lease, the Security Deposit shall be returned to Tenant after the Expiration Date and surrender of the Premises to Landlord.

IN WITNESS WHEREOF, and in consideration of the mutual entry into this lease and for other good and valuable consideration, and intending to be legally bound, Landlord and Tenant have executed this lease.

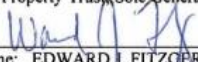
Date signed:



Landlord:

LIBERTY PROPERTY LIMITED PARTNERSHIP

By: Liberty Property Trust, Sole General Partner

By: 
Name: EDWARD J. FITZGERALD
Title: SENIOR VICE PRESIDENT

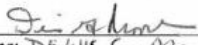
Date signed:

9/4/01

Tenant:

J & J SNACK FOODS CORP. OF NEW JERSEY

Attest:

By: 
Name: DENNIS G. MOORE
Title: Vice President

RIDER

(Section numbers used herein refer to Section numbers used in the Lease Agreement)

4.(b) On the sixth (6th) and tenth (10th) lines, delete "use, occupancy or" and substitute therefor "particular use or occupancy or Tenant's".

7.(b) Add at the end of this subsection:

"Notwithstanding anything to the contrary herein contained, Tenant shall pay to Landlord its Proportionate Share of Impositions billed to Landlord within 30 days after receipt of invoice therefor."

7.(d)(ii) Delete in its entirety and substitute therefor:

"Tenant, at Tenant's sole expense, shall provide, maintain and repair fire monitoring service to the Premises and shall maintain and repair all HVAC systems appurtenant to the Premises using a service firm acceptable to Landlord which shall provide service and maintenance in accordance with the manufacturer's recommendations and shall provide a copy of the contract to Landlord."

7.(d)(iii) On the second (2nd) line, delete "in the Building, which serve more than one tenant" and substitute therefor "serving the Building which are located outside of the Building".

On the sixth (6th) line after "condition", add ", including landscaping and snow removal".

Add at the end thereof:

"... such fee not to exceed 5% of Minimum Annual Rent as described in Section 1 of this lease. Except as otherwise set forth in subsection (B) of this subsection 7(d)(iii), Operating Expenses shall not include the cost of items which under generally accepted accounting principles are required to be classified as capital expenditures, including replacement of the roof of the Building."

10. On the fourth (4th) line, change "5 days" to "20 days".

12.(a) On the eighth (8th) line after "thereof", add ", restoration of which will take more than 60 days from the date of the casualty to complete and Tenant is unable to conduct business from the Premises,".

13.(d) Add at the end of this subsection:

"Notwithstanding the foregoing, in the event Tenant is unable to reasonably use the Premises or any portion thereof for the conduct of its business for in excess of thirty (30) consecutive days as a result of a temporary taking, Rent shall thereafter abate until Tenant is able to reasonably use same for the conduct of its business, such abatement to be in the proportion that the square footage of the portion of the Premises which cannot be reasonably used for the conduct of Tenant's business bears to the square footage of the entire Premises."

14. On the second (2nd) line after "Section 13(b)" add "and as to temporary taking in Section 13(d)".

18.(c)(iv) On the first (1st) line after "\$250", add "and no more than \$1,000".

19.(a) Add at the end thereof:

"Landlord agrees, upon request of Tenant, to use commercially reasonable efforts to obtain a non-disturbance agreement from the holder of any mortgage placed upon the Property after the date of this lease."

21.(c) On the fourth (4th) line, delete "double the amount applicable to the last month of the Term" and substitute therefor "150% of the amount applicable to the last month of the Term for the first month, 175% of the amount applicable to the last month of the Term for the second month and double the amount applicable to the last month of the Term thereafter".

22. On the third (3rd) line after "written notice", add "and opportunity to cure as set forth in subsection 23(c)".

23.(c)(ii) Delete in its entirety and substitute therefor:

"Landlord shall not be required to give such 10 days' notice more than 2 times for defaults consisting of the failure to pay money and 2 times for defaults consisting of something other than the failure to pay money during any 12 month period."

25. On the fifth (5th) line after "Landlord shall", add "transfer such portion to its successor in interest and Landlord shall".

26.(h) Delete in its entirety.

27. On the third (3rd) line after "Premises", add "with a copy to Tenant at 6000 Central Highway, Pennsauken, New Jersey 08109. Attention: Dennis Moore.

29. No Improvements by Landlord. The Premises shall be delivered by Landlord to Tenant broom clean in "as is" "where is" condition and Landlord shall have no obligations whatsoever to improve the Premises for Tenant's use, except that prior to the Commencement Date, Landlord shall, at its sole cost and expense, install a concrete walkway between the Property and Landlord's property at 300 Eagle Court, Bridgeport, New Jersey.

30. Environmental Information. At all times during and after the term of this lease, Tenant shall furnish Landlord, upon request, with such information with respect to Tenant's operations at the Premises as is necessary in order for Landlord or any successor owner of the Premises to comply with the New Jersey Industrial Site Recovery Act, N.J. Stat. Ann. 13:1K-6 et seq. and other federal and New Jersey environmental laws, regulations and ordinances, including without limitation, affidavits to be submitted to the New Jersey Department of Environmental Protection in connection with requests for letters of non-applicability and negative declarations. Tenant's obligations hereunder shall survive the termination of this Lease.

31. Brokers. The parties agree that they have dealt with no brokers in connection with this lease. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this lease from any real estate brokers or agents with whom they may have dealt.

Exhibit "A"
Plan Showing Premises

To be attached upon return to Tenant

EXHIBIT "B"
LEASE COMMENCEMENT CERTIFICATE

Re: Lease dated _____, 20__ for premises located at 250 High Hill Road, Bridgeport, NJ 08014 between Liberty Property Limited Partnership as landlord and J & J Snack Foods Corp. of New Jersey as tenant ("Lease")

Dear _____:

This is to confirm the following with respect to the Lease:

Commencement Date: _____, 20__

Expiration Date: _____, 20__

As set forth in the Lease, Minimum Annual Rent and Annual Operating Expenses are due on or before the Commencement Date for the period from the Commencement Date until the first day of the next calendar month unless the Commencement Date is the first day of the calendar month. Accordingly, the following amounts are due on or before the Commencement Date:

Apportioned Minimum Rent: \$ _____
Apportioned Operating Expenses: \$ _____
TOTAL: \$ _____

Thereafter regular monthly payments will be due in the following amounts until adjusted in accordance with the Lease:

Monthly Rent Installment: \$ _____
Monthly Operating Payment: \$ _____
TOTAL MONTHLY PAYMENT: \$ _____

If you disagree with any of the information set forth above, please advise us in writing within five days of your receipt of this letter; otherwise the Commencement Date and the Expiration Date of the Lease will be as set forth above.

Sincerely,

LIBERTY PROPERTY LIMITED PARTNERSHIP
By: Liberty Property Trust, Sole General Partner

By: _____
Name: Edward J. Fitzgerald
Title: Senior Vice President

EXHIBIT "C"

BUILDING RULES

1. As stated in the lease, Tenant shall not use the Premises as a "place of public accommodation" as defined in the Americans with Disabilities Act of 1990, which identifies the following categories into one or more of which a business must fall to be a "place of public accommodation":

- a. Places of lodging (examples: hotel, motel)
- b. Establishments serving food or drink (examples: bar, restaurant)
- c. Places of exhibition or entertainment (examples: motion picture house, theater, stadium, concert hall)
- d. Places of public gathering (examples: auditorium, convention center, lecture hall)
- e. Sales or rental establishments (examples: bakery, grocery store, hardware store, shopping center)
- f. Service establishments (examples: bank, laundromat, barber shop, funeral parlor, hospital, gas station, business offices such as lawyer, accountant, healthcare provider or insurance office)
- g. Stations used for specified public transportation (examples: bus terminal, depot)
- h. Places of public display or collection (examples: museum, library, gallery)
- i. Places of recreation (examples: park, zoo, amusement park)
- j. Places of education (examples: nursery, elementary, secondary, private or other undergraduate or postgraduate school)
- k. Social service center establishments (examples: day-care center, senior citizen center, homeless shelter, food bank, adoption agency)
- l. Places of exercise or recreation (examples: gym, health spa, bowling alley, golf course)

2. Any sidewalks, lobbies, passages and stairways shall not be obstructed or used by Tenant for any purpose other than ingress and egress from and to the Premises. Landlord shall in all cases retain the right to control or prevent access by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, peace or character of the Property.

3. The toilet rooms, toilets, urinals, sinks, faucets, plumbing or other service apparatus of any kind shall not be used for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith or left in any lobbies, passages, elevators or stairways.

4. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord's permission.

5. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building, except as approved in writing by Landlord. Tenant shall not remove, without Landlord's prior written consent, any shades, blinds or curtains in the Premises.

6. Without Landlord's prior written consent, Tenant shall not hang, install, mount, suspend or attach anything from or to any sprinkler, plumbing, utility or other lines. If Tenant hangs, installs, mounts, suspends or attaches anything from or to any doors, windows, walls, floors or ceilings, Tenant shall spackle and sand all holes and repair any damage caused thereby or by the removal thereof at or prior to the expiration or termination of the lease. If Tenant elects to seal the floor, Tenant shall seal the entire unfinished floor area within the Premises. If Tenant elects to paint all or any portion of the Premises, Tenant, prior to the termination of the lease, shall restore all or such portion(s) of the Premises to the painted or unpainted condition thereof as of the Commencement Date.

7. Tenant shall not change any locks nor place additional locks upon any doors and shall surrender all keys and passes at the end of the Term.

8. Tenant shall not use nor keep in the Building any matter having an offensive odor, nor explosive or highly flammable material, nor shall any animals other than seeing eye dogs in the company of their masters be brought into or kept in or about the Premises.

9. If Tenant desires to introduce electrical, signalling, telegraphic, telephonic, protective alarm or other wires, apparatus or devices, Landlord shall direct where and how the same are to be placed, and except as so directed, no installation boring or cutting shall be permitted. Landlord shall have the right to prevent and to cut off the transmission of excessive or dangerous current of electricity or annoyances into or through the Building or the Premises and to require the changing of wiring connections or layout at Tenant's expense, to the extent that Landlord may deem necessary, and further to require compliance with such reasonable rules as Landlord may establish relating thereto, and in the event of non-compliance with the requirements or rules, Landlord shall have the right immediately to cut wiring or to do what it considers necessary to remove the danger, annoyance or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same.

10. Tenant shall not place weights anywhere beyond the safe carrying capacity of the Building.

11. The use of rooms as sleeping quarters is strictly prohibited at all times.

12. Tenant shall have the right, at Tenant's sole risk and responsibility, to use its proportional share of the parking spaces at the Property as reasonably determined by Landlord. Tenant shall comply with all parking regulations promulgated by Landlord from time to time for the orderly use of the vehicle parking areas, including without limitation the following: Parking shall be limited to automobiles, passenger or equivalent vans, motorcycles, light four wheel pickup trucks and (in designated areas) bicycles. No vehicles shall be left in the parking lot overnight. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow within the Property or with loading and unloading areas of other tenants. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk, and Landlord assumes no responsibility for any damage, destruction, vandalism or theft. Tenant shall cooperate with Landlord in any measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided that no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under its lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle which violates the parking regulations may be cited, towed at the expense of the owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence.

13. If Landlord designates the Building as a non-smoking building and provides outdoor smoking area(s), Tenant and its Agents shall not smoke in the Building.

14. If at Tenant's request, Landlord consents to Tenant having a dumpster at the Property, Tenant shall locate the dumpster in the area designated by Landlord and shall keep and maintain the dumpster clean and painted with lids and doors in good working order and, at Landlord's request, locked.

15. Tenant shall provide Landlord with a written identification of any vendors engaged by Tenant to perform services for Tenant at the Premises (examples: cleaners, security guards/monitors, trash haulers, telecommunications installers/maintenance).

16. Tenant shall cause all of Tenant's Agents to comply with these Building Rules.

17. Landlord reserves the right to rescind, suspend or modify any rules or regulations and to make such other rules and regulations as, in Landlord's reasonable judgment, may from time to time be needed for the safety, care, maintenance, operation and cleanliness of the Property. Notice of any action by Landlord referred to in this paragraph, given to Tenant, shall have the same force and effect as if originally made a part of the foregoing lease. New rules or regulations will not, however, be unreasonably inconsistent with the proper and rightful enjoyment of the Premises by Tenant under the lease.

18. These Building Rules are not intended to give Tenant any rights or claims in the event that Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants and such non-enforcement will not constitute a waiver as to Tenant.

19. Tenant shall be deemed to have read these Building Rules and to have agreed to abide by them as a condition to Tenant's occupancy of the Premises.

EXHIBIT "D"
TENANT ESTOPPEL CERTIFICATE

Please refer to the documents described in Schedule I hereto, (the "Lease Documents") including the "Lease" therein described; all defined terms in this Certificate shall have the same meanings as set forth in the Lease unless otherwise expressly set forth herein. The undersigned Tenant hereby certifies that it is the tenant under the Lease. Tenant hereby further acknowledges that it has been advised that the Lease may be collaterally assigned in connection with a proposed financing secured by the Property and/or may be assigned in connection with a sale of the Property and certifies both to Landlord and to any and all prospective mortgagees and purchasers of the Property, including any trustee on behalf of any holders of notes or other similar instruments, any holders from time to time of such notes or other instruments, and their respective successors and assigns (the "Mortgagees") that as of the date hereof:

1. The information set forth in attached Schedule I is true and correct.
2. Tenant is in occupancy of the Premises and the Lease is in full force and effect, and, except by such writings as are identified on Schedule I, has not been modified, assigned, supplemented or amended since its original execution, nor are there any other agreements between Landlord and Tenant concerning the Premises, whether oral or written.
3. All conditions and agreements under the Lease to be satisfied or performed by Landlord have been satisfied and performed.
4. Tenant is not in default under the Lease Documents, Tenant has not received any notice of default under the Lease Documents, and, to Tenant's knowledge, there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Tenant under the Lease Documents.
5. Tenant has not paid any Rent due under the Lease more than 30 days in advance of the date due under the Lease and Tenant has no rights of setoff, counterclaim, concession or other rights of diminution of any Rent due and payable under the Lease except as set forth in Schedule I.
6. To Tenant's knowledge, there are no uncured defaults on the part of Landlord under the Lease Documents, Tenant has not sent any notice of default under the Lease Documents to Landlord, and there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Landlord thereunder, and that at the present time Tenant has no claim against Landlord under the Lease Documents.
7. Except as expressly set forth in Part G of Schedule I, there are no provisions for any, and Tenant has no, options with respect to the Premises or all or any portion of the Property.
8. Except as set forth on Part M of Schedule I, no action, voluntary or involuntary, is pending against Tenant under federal or state bankruptcy or insolvency law.
9. The undersigned has the authority to execute and deliver this Certificate on behalf of Tenant and acknowledges that all Mortgagees will rely upon this Certificate in purchasing the Property or extending credit to Landlord or its successors in interest.
10. This Certificate shall be binding upon the successors, assigns and representatives of Tenant and any party claiming through or under Tenant and shall inure to the benefit of all Mortgagees.

IN WITNESS WHEREOF, Tenant has executed this Certificate this ____ day of _____, 19 ____.

Name of Tenant

By: _____

Title: _____

Lease Documents, Lease Terms and Current Status

- A. Date of Lease:
- B. Parties:
 - 1. Landlord:
 - 2. Tenant d/b/a:
- C. Premises known as:
- D. Modifications, Assignments, Supplements or Amendments to Lease:

- E. Commencement Date:
- F. Expiration of Current Term:
- G. Options:
- H. Security Deposit Paid to Landlord: \$
- I. Current Fixed Minimum Rent (Annualized): \$
- J. Current Additional Rent (and if applicable, Percentage Rent)(Annualized): \$
- K. Current Total Rent: \$
- L. Square Feet Demised:
- M. Tenant's Bankruptcy or other Insolvency Actions:

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "First Amendment") is made this 26th day of September, 2007, by and between **LIBERTY VENTURE I, LP**, a Delaware limited partnership ("Landlord"), and **J&J SNACK FOODS SALES CORP.**, a New Jersey corporation, successor in interest to J&J Snack Foods Corp. of New Jersey ("Tenant").

BACKGROUND:

A. Landlord's predecessor, Liberty Property Limited Partnership ("Liberty Property"), and Tenant (then known as J&J Snack Foods Corp. of New Jersey) entered into a Lease Agreement dated September 4, 2001 (the "Lease"), pursuant to which Liberty Property leased to Tenant that certain premises containing approximately 40,000 rentable square feet (the "Premises") known as Suite C, located in Landlord's building (the "Building") at 300 Eagle Court, Bridgeport, New Jersey, as more fully described in the Lease.

B. Landlord purchased the Building and became the Landlord under the Lease.

C. Tenant desires to extend the Term of the Lease and Landlord has agreed to such extension subject to the provisions of this First Amendment. Accordingly, Landlord and Tenant desire to amend the Lease.

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises and covenants contained herein and in the Lease, and intending to be legally bound hereby, agree that the Lease is amended as follows:

1. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
2. The "**TERM**" of the Lease is hereby extended for one (1) additional term of forty-eight (48) months (the "Extended Term") commencing on January 1, 2012 and expiring at 11:59 P.M. local time on December 31, 2015.
3. Section 1(c)(ii) of the Original Lease, defining "**EXPIRATION DATE**", is hereby amended to extend the Expiration Date until December 31, 2015.
4. Tenant's "**MINIMUM ANNUAL RENT**" obligation for the Extended Term shall be as follows:

Period	Annual	Monthly
1/1/12 - 12/31/12	\$202,000.00	\$16,833.33
1/1/13 - 12/31/13	\$206,000.00	\$17,166.67
1/1/14 - 12/31/14	\$210,000.00	\$17,500.00
1/1/15 - 12/31/15	\$214,000.00	\$17,833.33

5. Tenant accepts the Premises in its "as is" "where is" condition and Landlord shall have no obligations whatsoever to improve or pay for improvements to the Premises for Tenant's use and occupancy.

6. The parties agree that they have dealt with no brokers in connection with this First Amendment. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this First Amendment from any real estate brokers or agents with whom they may have dealt.

7. Except as expressly modified hereby, the Lease shall remain in full force and effect in accordance with its terms.

8. Tenant acknowledges and agrees that the Lease is in full force and effect and Tenant has no claims or offsets against Rent due or to become due hereunder.

9. This First Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

10. This First Amendment and the obligations of the parties hereunder are contingent upon the execution of a lease agreement, in form and substance satisfactory to Landlord, by and between Landlord and Tenant for that certain building containing approximately 38,400 rentable square feet at 100 Eagle Court, Bridgeport, New Jersey.

IN WITNESS WHEREOF, Landlord and Tenant, intending to be legally bound, have executed this First Amendment as of the day and year first above written.


**LANDLORD:
LIBERTY VENTURE I, LP**

By: Liberty Venture I, LLC, Sole General Partner

By: Liberty Property Limited Partnership, Sole Member


By: Liberty Property Trust, Sole General Partner

By:


Name: Robert D. Jones
Title: Vice President, City Manager

**TENANT:
J&J SNACK FOODS SALES CORP.**

By:


Name: THOMAS J. WEBER
Title: Vice President, OPERATIONS

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THIS LEASE AGREEMENT is made by and between **LIBERTY PROPERTY LIMITED PARTNERSHIP**, a Pennsylvania limited partnership ("**LANDLORD**") with its address at 65 Valley Stream Parkway, Suite 100, Malvern, Pa. 19355 and **J & J SNACK FOODS CORP. OF NEW JERSEY** a Corporation organized under the laws of New Jersey ("**TENANT**") with its address at 6000 Central Highway, Pennsauken, NJ and is dated as of the date on which this lease has been fully executed by Landlord and Tenant.

1. Summary of Terms and Certain Definitions.

- (a) "**PREMISES**": Approximate rentable square feet: 40,000
(Section 2) Suite: C
- (b) "**BUILDING**": Approximate rentable square feet: 100,000
(§2) Address: 300 Eagle Court
Bridgeport, New Jersey
- (c) "**TERM**": One Hundred Eight (108) months plus any partial month from the Commencement Date until the first day of the first full calendar month during the Term (§5).
 - (i) "**COMMENCEMENT DATE**": **January 1, 2003**
 - (ii) "**EXPIRATION DATE**": See Section 5
- (d) **Minimum Rent (§6) & Operating Expenses (§7)**
 - (i) "**MINIMUM ANNUAL RENT**": **\$186,000.00** (One Hundred Eighty Six Thousand and 00/100 Dollars), payable in monthly installments of **\$15,500.00** (Fifteen Thousand Five Hundred and 00/100 Dollars), increased as follows:

Lease Year	Annual	Monthly
2	\$190,000.00	\$15,833.33
3	\$194,000.00	\$16,166.67
4	\$198,000.00	\$16,500.00
5	\$202,000.00	\$16,833.33
6	\$206,000.00	\$17,166.67
7	\$210,000.00	\$17,500.00
8	\$214,000.00	\$17,833.33
9	\$218,000.00	\$18,166.67

- (ii) **Estimated "ANNUAL OPERATING EXPENSES"**: **\$64,400.00** (Sixty Four Thousand Four Hundred and 00/100 Dollars), payable in monthly installments of **\$5,366.67** (Five Thousand Three Hundred Sixty Six and 67/100 Dollars) subject to adjustment (§7(a))
 - (e) "**PROPORTIONATE SHARE**" (§7(a)): 40.00% (Ratio of approximate rentable square feet in the premises to approximate rentable square feet in the Building)
 - (f) "**USE**" (§4): General warehouse use and appurtenant offices.
 - (g) "**SECURITY DEPOSIT**" (§28): \$0 (Zero Dollars)
 - (h) **CONTENTS**: This lease consists of the Index, pages 1 through 11 containing Sections 1 through 28 and the following, all of which are attached hereto and made a part of this lease:
Rider with Sections 29 through 31.
- Exhibits: "A" - Plan showing Premises "D" - Estoppel Certificate Form
"B" - Commencement Certificate Form
"C" - Building Rules

2. **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises as shown on attached Exhibit "A" within the Building (the Building and the lot on which it is located is the "PROPERTY"), together with the non-exclusive right with Landlord and other occupants of the Building to use all areas and facilities provided by Landlord for the use of all tenants in the Property including any driveways, sidewalks and parking, loading and landscaped areas (the "COMMON AREAS").

3. **Acceptance of Premises.** Tenant has examined and knows the condition of the Property, the zoning, streets, sidewalks, parking areas, curbs and access ways adjoining it, visible easements, any surface conditions and the present uses, and Tenant accepts them in the condition in which they now are, without relying on any representation, covenant or warranty by Landlord. Tenant and its agents shall have the right, at Tenant's own risk, expense and responsibility, at all reasonable times prior to the Commencement Date, to enter the Premises for the purpose of taking measurements and installing its furnishings and equipment, provided that the Premises are vacant and Tenant obtains Landlord's prior written consent.

4. **Use: Compliance**

(a) **Permitted Use.** Tenant shall occupy and use the Premises for and only for the Use specified in Section 1(f) above and in such a manner as is lawful, reputable and will not create any nuisance or otherwise interfere with any other tenant's normal operations or the management of the Building. Without limiting the foregoing, such Use shall exclude any use that would cause the Premises or the Property to be deemed a "place of public accommodation" under the Americans with Disabilities Act (the "ADA") as further described in the Building Rules (defined below). All Common Areas shall be subject to Landlord's exclusive control and management at all times. Tenant shall not use or permit the use of any portion of the Property for outdoor storage or installations outside of the Premises nor for any use that would interfere with any other person's use of any portion of the Property outside of the Premises.

(b) **Compliance.** Landlord represents that, as of the date of this lease, there is no action required with respect to the Premises or Common Areas under any laws (including Title III of the ADA), ordinances, notices, orders, rules, regulations and requirements applicable to the Premises or to the Common Areas. From and after the Commencement Date, Tenant shall comply promptly, at its sole expense, (including making any alterations or improvements) with all laws (including the ADA), ordinances, notices, orders, rules, regulations and requirements regulating the Property during the Term which impose any duty upon Landlord or Tenant with respect to Tenant's use, occupancy or alteration of, or Tenant's installations in or upon, the Property including the Premises, (as the same may be amended, the "LAWS AND REQUIREMENTS") and the building rules attached as Exhibit "C", as amended by Landlord from time to time (the "BUILDING RULES"). Provided, however, that Tenant shall not be required to comply with the Laws and Requirements with respect to the footings, foundations, structural steel columns and girders forming a part of the Property unless the need for such compliance arises out of Tenant's use, occupancy or alteration of the Property, or by any act or omission of Tenant or any employees, agents, contractors, licensees or invitees ("AGENTS") of Tenant. With respect to Tenant's obligations as to the Property, other than the Premises, at Landlord's option and at Tenant's expense, Landlord may comply with any repair, replacement or other construction requirements of the Laws and Requirements and Tenant shall pay to Landlord all costs thereof as additional rent.

(c) **Environmental.** Tenant shall comply, at its sole expense, with all Laws and Requirements as set forth above, all manufacturers' instructions and all requirements of insurers relating to the treatment, production, storage, handling, transfer, processing, transporting, use, disposal and release of hazardous substances, hazardous mixtures, chemicals, pollutants, petroleum products, toxic or radioactive matter (the "RESTRICTED ACTIVITIES"). Tenant shall deliver to Landlord copies of all Material Safety Data Sheets or other written information prepared by manufacturers, importers or suppliers of any chemical and all notices, filings, permits and any other written communications from or to Tenant and any entity regulating any Restricted Activities.

(d) **Notice.** If at any time during or after the Term, Tenant becomes aware of any inquiry, investigation or proceeding regarding the Restricted Activities or becomes aware of any claims, actions or investigations regarding the ADA, Tenant shall give Landlord written notice, within 5 days after first learning thereof, providing all available information and copies of any notices.

5. **Term.** The Term of this lease shall commence on the Commencement Date and shall end at 11:59 p.m. on the last day of the Term (the "EXPIRATION DATE"), without the necessity for notice from either party, unless sooner terminated in accordance with the terms hereof. At Landlord's request, Tenant shall confirm the Commencement Date and Expiration Date by executing a lease commencement certificate in the form attached as Exhibit "B".

6. **Minimum Annual Rent.** Tenant agrees to pay to Landlord the Minimum Annual Rent in equal monthly installments in the amount set forth in Section 1(d) (as increased at the beginning of each lease year as set forth in Section 1(d)), in advance, on the first day of each calendar month during the Term, without notice, demand or setoff, at Landlord's address designated at the beginning of

this lease unless Landlord designate otherwise; provided that rent for the first full month shall be paid at the signing of this lease. If the Commencement Date falls on a day other than the first day of a calendar month, the rent shall be apportioned pro rata on a per diem basis for the period from the Commencement Date until the first day of the following calendar month and shall be paid on or before the Commencement Date. As used in this lease, the term "lease year" means the period from the Commencement Date through the succeeding 12 full calendar months (including for the first lease year any partial month from the Commencement Date until the first day of the first full calendar month) and each successive 12 month period thereafter during the Term.

7. Operation of Property; Payment of Expenses.

(a) **Payment of Operating Expenses.** Tenant shall pay to Landlord the Annual Operating Expenses in equal monthly installments in the amount set forth in Section 1(d) (prorated for any partial month), from the Commencement Date and continuing throughout the Term on the first day of each calendar month during the Term, as additional rent, without notice, demand or setoff, provided that the monthly installment for the first full month shall be paid at the signing of this lease. Landlord shall apply such payments to the operating expenses owed to Landlord by Tenant pursuant to the following Sections 7(b)-(f). The amount of the Annual Operating Expenses set forth in Section 1(d) represents Tenant's Proportionate Share of the estimated operating expenses during the first calendar year of the Term on an annualized basis; from time to time Landlord may adjust such estimated amount if the estimated operating expenses increase. By April 30th of each year (and as soon as practical after the expiration or termination of this lease or at any time in the event of a sale of the Property), Landlord shall provide Tenant with a statement of the actual amount of such expenses for the preceding calendar year or part thereof. Landlord or Tenant shall pay to the other the amount of any deficiency or overpayment then due from one to the other or, at Landlord's option, Landlord may credit Tenant's account for any overpayment. Tenant's obligation to pay the Annual Operating Expenses pursuant to this Section 7 shall survive the expiration or termination of this lease.

(b) **Taxes and Other Impositions.** Tenant shall pay prior to delinquency all levies, taxes (including sales taxes and gross receipt taxes), assessments, liens, license and permit fees, which are applicable to the Term, and which are imposed by any authority or under any law, ordinance or regulation thereof, or pursuant to any recorded covenants or agreements, and the reasonable cost of contesting any of the foregoing (the "IMPOSITIONS") upon or with respect to the Premises, or any improvements thereto, or directly upon this lease or the Rent (defined in Section 7(f)) or amounts payable by any subtenants or other occupants of the Premises, or against Landlord because of Landlord's estate or interest herein. Additionally, Tenant shall pay as aforesaid its Proportionate Share of any Imposition which is not imposed upon the Premises as a separate entity but which is imposed upon all or part of the Property or upon the leases or rents relating to the Property.

(i) Nothing herein contained shall be interpreted as requiring Tenant to pay any income, excess profits or corporate capital stock tax imposed or assessed upon Landlord, unless such tax or any similar tax is levied or assessed in lieu of all or any part of any Imposition or an increase in any Imposition.

(ii) If it shall not be lawful for Tenant to reimburse Landlord for any of the Impositions, the Minimum Annual Rent shall be increased by the amount of the portion of such Imposition allocable to Tenant, unless prohibited by law.

(c) **Insurance.**

(i) **Property.** Landlord shall keep in effect, and Tenant shall pay to Landlord its Proportionate Share of the cost of, insurance against loss or damage to the Building or the Property by fire and such other casualties as may be included within fire, extended coverage and special form insurance covering the full replacement cost of the Building (but excluding coverage of Tenant's personal property in, and any alterations by Tenant to, the Premises), and such other insurance as Landlord may reasonably deem appropriate or as may be required from time-to-time by any mortgagee.

(ii) **Liability.** Tenant, at its own expense, shall keep in effect comprehensive general public liability insurance with respect to the Premises and the Property, including contractual liability insurance, with such limits of liability for bodily injury (including death) and property damage as reasonably may be required by Landlord from time-to-time, but not less than a combined single limit of \$1,000,000 per occurrence and a general aggregate limit of not less than \$3,000,000 (which aggregate limit shall apply separately to each of Tenant's locations if more than the Premises); however, such limits shall not limit the liability of Tenant hereunder. The policy of comprehensive general public liability insurance also shall name Landlord and Landlord's agent as insured parties with respect to the Premises, shall be written on an "occurrence" basis and not on a "claims made" basis, shall provide that it is primary with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, shall provide that it shall not be cancelable or reduced without at least 30 days prior written notice to Landlord and shall be issued in form satisfactory to Landlord. The insurer shall be a responsible insurance carrier which is authorized to issue such insurance and licensed to do business in the state in which the Property is located and which has at all times during the Term a rating of no less than A VII in the most current edition of *Best's Insurance Reports*. Tenant shall deliver to Landlord on or before the

Commencement Date, and subsequently renewals of, a certificate of insurance evidencing such coverage and the waiver of subrogation described below.

(iii) **Waiver of Subrogation.** Landlord and Tenant shall have included in their respective property insurance policies waivers of their respective insurers' right of subrogation against the other party. If such a waiver should be unobtainable or unenforceable, then such policies of insurance shall state expressly that such policies shall not be invalidated if, before a casualty, the insured waives the right of recovery against any party responsible for a casualty covered by the policy.

(iv) **Increase of Premiums.** Tenant agrees not to do anything or fail to do anything which will increase the cost of Landlord's insurance or which will prevent Landlord from procuring policies (including public liability) from companies and in a form satisfactory to Landlord. If any breach of the preceding sentence by Tenant causes the rate of fire or other insurance to be increased, Tenant shall pay the amount of such increase as additional rent promptly upon being billed.

(d) **Repairs and Maintenance; Common Areas; Building Management.** Except as specifically otherwise provided in this Section (d), Tenant at its sole expense shall maintain the Premises in good order and condition, promptly make all repairs necessary to maintain such condition, and repair any damage to the Premises caused by Tenant or its Agents. All repairs made by Tenant shall utilize materials and equipment which are comparable to those originally used in constructing the Building and Premises. When used in this Section (d), the term "repairs" shall include replacements and renewals when necessary.

(i) Landlord, at its sole expense, shall make all necessary repairs to the footings, foundations, structural steel columns and girders forming a part of the Premises, provided that Landlord shall have no responsibility to make any repair until Landlord receives written notice of the need for such repair.

(ii) Landlord, at Tenant's sole expense, shall maintain and repair the HVAC systems appurtenant to the Premises.

(iii) Landlord shall make all necessary repairs to the roof, exterior portions of the Premises and the Building, utility and communications lines, equipment and facilities in the Building, which serve more than one tenant, and to the Common Areas, the cost of which shall be an operating expense of which Tenant shall pay its Proportionate Share, provided that Landlord shall have no responsibility to make any repair until Landlord receives written notice of the need for such repair. Landlord shall operate and manage the Property and shall maintain all Common Areas and any paved areas appurtenant to the Property in a clean and orderly condition. Landlord reserves the right to make alterations to the Common Areas from time to time. Operating expenses also shall include (A) all sums expended by Landlord for the supervision, maintenance, repair, replacement and operation of the Common Areas (including the costs of utility services), (B) any costs of building improvements made by Landlord to the Property that are required by any governmental authority or for the purpose of reducing operating expenses and (C) a management and administrative fee applicable to the overall operation of the Property.

(iv) Notwithstanding anything herein to the contrary, repairs and replacements to the Property including the Premises made necessary by Tenant's use, occupancy or alteration of, or Tenant's installation in or upon the Property or by any act or omission of Tenant or its Agents shall be made at the sole expense of Tenant to the extent not covered by any applicable insurance proceeds paid to Landlord. Tenant shall not bear the expense of any repairs or replacements to the Property arising out of or caused by any other tenant's use, occupancy or alteration of, or any other tenant's installation in or upon, the Property or by any act or omission of any other tenant or any other tenant's Agents.

(e) **Utility Charges.** Tenant shall pay for water, sewer, gas, electricity, heat, power, telephone and other communication services and any other utilities supplied to or consumed in or on the Premises. Landlord shall not be responsible or liable for any interruption in utility service, nor shall such interruption affect the continuation or validity of this lease.

(f) **Net lease.** Except for the obligations of Landlord expressly set forth herein, this lease is a "triple net lease" and Landlord shall receive the Minimum Annual Rent as net income from the Premises, not diminished by any expenses other than payments under any mortgages, and Landlord is not and shall not be required to render any services of any kind to Tenant. The term "RENT" as used in this lease means the Minimum Annual Rent, Annual Operating Expenses and any other additional rent or sums payable by Tenant to Landlord pursuant to this lease, all of which shall be deemed rent for purposes of Landlord's rights and remedies with respect thereto. Tenant shall pay all Rent to Landlord within 30 days after Tenant is billed, unless otherwise provided in this lease, and interest shall accrue on all sums due but unpaid.

8. **Signs.** Except for signs which are located wholly within the interior of the Premises and not visible from the exterior of the Premises, no signs shall be placed on the Property without the prior written consent of Landlord. All signs installed by Tenant shall

be maintained by Tenant in good condition and Tenant shall remove all such signs at the termination of this lease and shall repair any damage caused by such installation, existence or removal.

9. Alterations and Fixtures.

(a) Subject to Section 10, Tenant shall have the right to install its trade fixtures in the Premises, provided that no such installation or removal thereof shall affect any structural portion of the Property nor any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant. At the expiration or termination of this lease and at the option of Landlord or Tenant, Tenant shall remove such installation(s) and, in the event of such removal, Tenant shall repair any damage caused by such installation or removal; if Tenant, with Landlord's written consent, elects not to remove such installation(s) at the expiration or termination of this lease, all such installations shall remain on the Property and become the property of Landlord without payment by Landlord.

(b) Except for non-structural changes which do not exceed \$5000 in the aggregate, Tenant shall not make or permit to be made any alterations to the Premises without Landlord's prior written consent. Tenant shall pay the costs of any required architectural/engineering reviews. In making any alterations, (i) Tenant shall deliver to Landlord the plans, specifications and necessary permits, together with certificates evidencing that Tenant's contractors and subcontractors have adequate insurance coverage naming Landlord and Landlord's agent as additional insureds, at least 10 days prior to commencement thereof, (ii) such alterations shall not impair the structural strength of the Building or any other improvements or reduce the value of the Property or affect any utility lines, communications lines, equipment or facilities in the Building serving any tenant other than Tenant, (iii) Tenant shall comply with Section 10 and (iv) the occupants of the Building and of any adjoining property shall not be disturbed thereby. All alterations to the Premises by Tenant shall be the property of Tenant until the expiration or termination of this lease; at that time all such alterations shall remain on the Property and become the property of Landlord without payment by Landlord unless Landlord gives written notice to Tenant to remove the same, in which event Tenant will remove such alterations and repair any resulting damage. At Tenant's request prior to Tenant making any alterations, Landlord shall notify Tenant in writing, whether Tenant is required to remove such alterations at the expiration or termination of this lease.

10. Mechanics' Liens. Tenant shall pay promptly any contractors and materialmen who supply labor, work or materials to Tenant at the Property and shall take all steps permitted by law in order to avoid the imposition of any mechanic's lien upon all or any portion of the Property. Should any such lien or notice of lien be filed for work performed for Tenant other than by Landlord, Tenant shall bond against or discharge the same within 5 days after Tenant has notice that the lien or claim is filed regardless of the validity of such lien or claim. Nothing in this lease is intended to authorize Tenant to do or cause any work to be done or materials to be supplied for the account of Landlord, all of the same to be solely for Tenant's account and at Tenant's risk and expense. Throughout this lease the term "mechanic's lien" is used to include any lien, encumbrance or charge levied or imposed upon all or any portion of, interest in or income from the Property on account of any mechanic's, laborer's, materialman's or construction lien or arising out of any debt or liability to or any claim of any contractor, mechanic, supplier, materialman or laborer and shall include any mechanic's notice of intention to file a lien given to Landlord or Tenant, any stop order given to Landlord or Tenant, any notice of refusal to pay naming Landlord or Tenant and any injunctive or equitable action brought by any person claiming to be entitled to any mechanic's lien.

11. Landlord's Right of Entry. Tenant shall permit Landlord and its Agents to enter the Premises at all reasonable times following reasonable notice (except in the event of an emergency), for the purpose of inspection, maintenance or making repairs, alterations or additions as well as to exhibit the Premises for the purpose of sale or mortgage and, during the last 12 months of the Term, to exhibit the Premises to any prospective tenant. Landlord will make reasonable efforts not to inconvenience Tenant in exercising the foregoing rights, but shall not be liable for any loss of occupation or quiet enjoyment thereby occasioned.

12. Damage by Fire or Other Casualty.

(a) If the Premises or Building shall be damaged or destroyed by fire or other casualty, Tenant promptly shall notify Landlord and Landlord, subject to the conditions set forth in this Section 12, shall repair such damage and restore the Premises to substantially the same condition in which they were immediately prior to such damage or destruction, but not including the repair, restoration or replacement of the fixtures or alterations installed by Tenant. Landlord shall notify Tenant in writing, within 30 days after the date of the casualty, if Landlord anticipates that the restoration will take more than 180 days from the date of the casualty to complete; in such event, either Landlord or Tenant may terminate this lease effective as of the date of casualty by giving written notice to the other within 10 days after Landlord's notice. Further, if a casualty occurs during the last 12 months of the Term or any extension thereof, Landlord may cancel this lease unless Tenant has the right to extend the Term for at least 3 more years and does so within 30 days after the date of the casualty.

(b) Landlord shall maintain 12 month rental coverage endorsement or other comparable form of coverage as part of its fire, extended coverage and special form insurance. Tenant will receive an abatement of its Minimum Annual Rent and Annual Operating Expenses to the extent the Premises are rendered untenantable as determined by the carrier providing the rental coverage endorsement.

13. Condemnation.

(a) **Termination.** If (i) all of the Premises are taken by a condemnation or otherwise for any public or quasi-public use, (ii) any part of the Premises is so taken and the remainder thereof is insufficient for the reasonable operation of Tenant's business or (iii) any of the Property is so taken, and, in Landlord's opinion, it would be impractical or the condemnation proceeds are insufficient to restore the remainder of the Property, then this lease shall terminate and all unaccrued obligations hereunder shall cease as of the day before possession is taken by the condemnor.

(b) **Partial Taking.** If there is a condemnation and this lease has not been terminated pursuant to this Section, (i) Landlord shall restore the Building and the improvements which are a part of the Premises to a condition and size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the date upon which the condemnor took possession and (ii) the obligations of Landlord and Tenant shall be unaffected by such condemnation except that there shall be an equitable abatement of the Minimum Annual Rent according to the rental value of the Premises before and after the date upon which the condemnor took possession and/or the date Landlord completes such restoration.

(c) **Award.** In the event of a condemnation affecting Tenant, Tenant shall have the right to make a claim against the condemnor for moving expenses and business dislocation damages to the extent that such claim does not reduce the sums otherwise payable by the condemnor to Landlord. Except as aforesaid and except as set forth in (d) below, Tenant hereby assigns all claims against the condemnor to Landlord.

(d) **Temporary Taking.** No temporary taking of the Premises shall terminate this lease or give Tenant any right to any rental abatement. Such a temporary taking will be treated as if Tenant had sublet the Premises to the condemnor and had assigned the proceeds of the subletting to Landlord to be applied on account of Tenant's obligations hereunder. Any award for such a temporary taking during the Term shall be applied first, to Landlord's costs of collection and, second, on account of sums owing by Tenant hereunder, and if such amounts applied on account of sums owing by Tenant hereunder should exceed the entire amount owing by Tenant for the remainder of the Term, the excess will be paid to Tenant.

14. **Non-Abatement of Rent.** Except as otherwise expressly provided as to damage by fire or other casualty in Section 12(b) and as to condemnation in Section 13(b), there shall be no abatement or reduction of the Rent for any cause whatsoever, and this lease shall not terminate, and Tenant shall not be entitled to surrender the Premises.

15. **Indemnification of Landlord.** Subject to Sections 7(c)(iii) and 16, Tenant will protect, indemnify and hold harmless Landlord and its Agents from and against any and all claims, actions, damages, liability and expense (including fees of attorneys, investigators and experts) in connection with loss of life, personal injury or damage to property in or about the Premises or arising out of the occupancy or use of the Premises by Tenant or its Agents or occasioned wholly or in part by any act or omission of Tenant or its Agents, whether prior to, during or after the Term, except to the extent such loss, injury or damage was caused by the negligence of Landlord or its Agents. In case any action or proceeding is brought against Landlord and/or its Agents by reason of the foregoing, Tenant, at its expense, shall resist and defend such action or proceeding, or cause the same to be resisted and defended by counsel (reasonably acceptable to Landlord and its Agents) designated by the insurer whose policy covers such occurrence or by counsel designated by Tenant and approved by Landlord and its Agents. Tenant's obligations pursuant to this Section 15 shall survive the expiration or termination of this lease.

16. **Waiver of Claims.** Landlord and Tenant each hereby waives all claims for recovery against the other for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party or its Agents; provided, however, that such waiver by Landlord shall not be effective with respect to any liability of Tenant described in Sections 4(c) and 7(d)(iv).

17. **Quiet Enjoyment.** Landlord covenants that Tenant, upon performing all of its covenants, agreements and conditions of this lease, shall have quiet and peaceful possession of the Premises as against anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this lease.

18. Assignment and Subletting.

(a) **Limitation.** Tenant shall not transfer this lease, voluntarily or by operation of law, without the prior written consent of Landlord which shall not be withheld unreasonably. However, Landlord's consent shall not be required in the event of any transfer by Tenant to an affiliate of Tenant which is at least as creditworthy as Tenant as of the date of this lease and provided Tenant delivers to Landlord the instrument described in Section (c)(iii) below, together with a certification of such creditworthiness by Tenant and such affiliate. Any transfer not in conformity with this Section 18 shall be void at the option of Landlord, and Landlord may exercise any or all of its rights under Section 23. A consent to one transfer shall not be deemed to be a consent to any subsequent transfer. "Transfer" shall include any sublease, assignment, license or concession agreement, change in ownership or control of Tenant, mortgage or hypothecation of this lease or Tenant's interest therein or in all or a portion of the Premises.

(b) **Offer to Landlord.** Tenant acknowledges that the terms of this lease, including the Minimum Annual Rent, have been based on the understanding that Tenant physically shall occupy the Premises for the entire Term. Therefore, upon Tenant's request to transfer all or a portion of the Premises, at the option of Landlord, Tenant and Landlord shall execute an amendment to this lease removing such space from the Premises, Tenant shall be relieved of any liability with respect to such space and Landlord shall have the right to lease such space to any party, including Tenant's proposed transferee.

(c) **Conditions.** Notwithstanding the above, the following shall apply to any transfer, with or without Landlord's consent:

(i) As of the date of any transfer, Tenant shall not be in default under this lease nor shall any act or omission have occurred which would constitute a default with the giving of notice and/or the passage of time.

(ii) No transfer shall relieve Tenant of its obligation to pay the Rent and to perform all its other obligations hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this lease or to be a consent to any transfer.

(iii) Each transfer shall be by a written instrument in form and substance satisfactory to Landlord which shall (A) include an assumption of liability by any transferee of all Tenant's obligations and the transferee's ratification of and agreement to be bound by all the provisions of this lease, (B) afford Landlord the right of direct action against the transferee pursuant to the same remedies as are available to Landlord against Tenant and (C) be executed by Tenant and the transferee.

(iv) Tenant shall pay, within 10 days of receipt of an invoice which shall be no less than \$250, Landlord's reasonable attorneys' fees and costs in connection with the review, processing and documentation of any transfer for which Landlord's consent is requested.

19. Subordination: Mortgagee's Rights.

(a) This lease shall be subordinate to any first mortgage or other primary encumbrance now or hereafter affecting the Premises. Although the subordination is self-operative, within 10 days after written request, Tenant shall execute and deliver any further instruments confirming such subordination of this lease and any further instruments of attornment that may be desired by any such mortgagee or Landlord. However, any mortgagee may at any time subordinate its mortgage to this lease, without Tenant's consent, by giving written notice to Tenant, and thereupon this lease shall be deemed prior to such mortgage without regard to their respective dates of execution and delivery; provided, however, that such subordination shall not affect any mortgagee's right to condemnation awards, casualty insurance proceeds, intervening liens or any right which shall arise between the recording of such mortgage and the execution of this lease.

(b) It is understood and agreed that any mortgagee shall not be liable to Tenant for any funds paid by Tenant to Landlord unless such funds actually have been transferred to such mortgagee by Landlord.

(c) Notwithstanding the provisions of Sections 12 and 13 above, Landlord's obligation to restore the Premises after a casualty or condemnation shall be subject to the consent and prior rights of Landlord's first mortgagee.

20. Recording: Tenant's Certificate. Tenant shall not record this lease or a memorandum thereof without Landlord's prior written consent. Within 10 days after Landlord's written request from time to time:

(a) Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying the Commencement Date and Expiration Date of this lease, that this lease is in full force and effect and has not been modified and otherwise as set forth in the

form of estoppel certificate attached as Exhibit "D" or with such modifications as may be necessary to reflect accurately the stated facts and/or such other certifications as may be requested by a mortgagee or purchaser. Tenant understands that its failure to execute such documents may cause Landlord serious financial damage by causing the failure of a financing or sale transaction.

(b) Tenant shall furnish to Landlord, Landlord's mortgagee, prospective mortgagee or purchaser reasonably requested financial information.

21. Surrender: Abandoned Property.

(a) Subject to the terms of Sections 9(b), 12(a) and 13(b), at the expiration or termination of this lease, Tenant promptly shall yield up in the same condition, order and repair in which they are required to be kept throughout the Term, the Premises and all improvements thereto, and all fixtures and equipment servicing the Building, ordinary wear and tear excepted.

(b) Upon or prior to the expiration or termination of this lease, Tenant shall remove any personal property from the Property. Any personal property remaining thereafter shall be deemed conclusively to have been abandoned, and Landlord, at Tenant's expense, may remove, store, sell or otherwise dispose of such property in such manner as Landlord may see fit and/or Landlord may retain such property as its property. If any part thereof shall be sold, then Landlord may receive and retain the proceeds of such sale and apply the same, at its option, against the expenses of the sale, the cost of moving and storage and any Rent due under this lease.

(c) If Tenant, or any person claiming through Tenant, shall continue to occupy the Premises after the expiration or termination of this lease or any renewal thereof, such occupancy shall be deemed to be under a month-to-month tenancy under the same terms and conditions set forth in this lease, except that the monthly installment of the Minimum Annual Rent during such continued occupancy shall be double the amount applicable to the last month of the Term. Anything to the contrary notwithstanding, any holding over by Tenant without Landlord's prior written consent shall constitute a default hereunder and shall be subject to all the remedies available to Landlord.

22. Curing Tenant's Defaults. If Tenant shall be in default in the performance of any of its obligations hereunder, Landlord, without any obligation to do so, in addition to any other rights it may have in law or equity, may elect to cure such default on behalf of Tenant after written notice (except in the case of emergency) to Tenant. Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including interest thereon from the respective dates of Landlord's incurring such costs, which sums and costs together with interest shall be deemed additional rent.

23. Defaults - Remedies.

(a) Defaults. It shall be an event of default:

- (i) If Tenant does not pay in full when due any and all Rent;
- (ii) If Tenant fails to observe and perform or otherwise breaches any other provision of this lease;
- (iii) If Tenant abandons the Premises, which shall be conclusively presumed if the Premises remain unoccupied for more than 10 consecutive days, or removes or attempts to remove Tenant's goods or property other than in the ordinary course of business; or
- (iv) If Tenant becomes insolvent or bankrupt in any sense or makes a general assignment for the benefit of creditors or offers a settlement to creditors, or if a petition in bankruptcy or for reorganization or for an arrangement with creditors under any federal or state law is filed by or against Tenant, or a bill in equity or other proceeding for the appointment of a receiver for any of Tenant's assets is commenced, or if any of the real or personal property of Tenant shall be levied upon; provided, however, that any proceeding brought by anyone other than Landlord or Tenant under any bankruptcy, insolvency, receivership or similar law shall not constitute a default until such proceeding has continued unstayed for more than 60 consecutive days.

(b) Remedies. Then, and in any such event, Landlord shall have the following rights:

- (i) To charge a late payment fee equal to the greater of \$100 or 5% of any amount owed to Landlord pursuant to this lease which is not paid within 5 days after the due date.
- (ii) To enter and repossess the Premises, by breaking open locked doors if necessary, and remove all persons and all or any property therefrom, by action at law or otherwise, without being liable for prosecution or damages therefor, and Landlord may.

at Landlord's option, make alterations and repairs in order to relet the Premise. I relet all or any part(s) of the Premises for Tenant's account. Tenant agrees to pay to Landlord on demand any deficiency that may arise by reason of such reletting. In the event of reletting without termination of this lease, Landlord may at any time thereafter elect to terminate this lease for such previous breach.

(iii) To accelerate the whole or any part of the Rent for the balance of the Term, and declare the same to be immediately due and payable.

(iv) To terminate this lease and the Term without any right on the part of Tenant to save the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken.

(c) **Grace Period.** Notwithstanding anything hereinabove stated, neither party will exercise any available right because of any default of the other, except those remedies contained in subsection (b)(i) of this Section, unless such party shall have first given 10 days written notice thereof to the defaulting party, and the defaulting party shall have failed to cure the default within such period; provided, however, that:

(i) No such notice shall be required if Tenant fails to comply with the provisions of Sections 10 or 20(a), in the case of emergency as set forth in Section 22 or in the event of any default enumerated in subsections (a)(iii) and (iv) of this Section.

(ii) Landlord shall not be required to give such 10 days notice more than 2 times during any 12 month period.

(iii) If the default consists of something other than the failure to pay money which cannot reasonably be cured within 10 days, neither party will exercise any right if the defaulting party begins to cure the default within the 10 days and continues actively and diligently in good faith to completely cure said default.

(iv) Tenant agrees that any notice given by Landlord pursuant to this Section which is served in compliance with Section 27 shall be adequate notice for the purpose of Landlord's exercise of any available remedies.

(d) **Non-Waiver; Non-Exclusive.** No waiver by Landlord of any breach by Tenant shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach. Efforts by Landlord to mitigate the damages caused by Tenant's default shall not constitute a waiver of Landlord's right to recover damages hereunder. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy provided herein or by law, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the total amount due Landlord under this lease shall be deemed to be other than on account, nor shall any endorsement or statement on any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of Rent due, or Landlord's right to pursue any other available remedy.

(e) **Costs and Attorneys' Fees.** If either party commences an action against the other party arising out of or in connection with this lease, the prevailing party shall be entitled to have and recover from the losing party attorneys' fees, costs of suit, investigation expenses and discovery costs, including costs of appeal.

24. Representations of Tenant. Tenant represents to Landlord and agrees that:

(a) The word "Tenant" as used herein includes the Tenant named above as well as its successors and assigns, each of which shall be under the same obligations and liabilities and each of which shall have the same rights, privileges and powers as it would have possessed had it originally signed this lease as Tenant. Each and every of the persons named above as Tenant shall be bound jointly and severally by the terms, covenants and agreements contained herein. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant immediate or remote, unless Tenant has complied with the terms of Section 13 and the assignment to such assignee is permitted or has been approved in writing by Landlord. Any notice required or permitted by the terms of this lease may be given by or to any one of the persons named above as Tenant, and shall have the same force and effect as if given by or to all thereof.

(b) If Tenant is a corporation, partnership or any other form of business association or entity, Tenant is duly formed and in good standing, and has full corporate or partnership power and authority, as the case may be, to enter into this lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this lease constitutes a valid and binding obligation enforceable in accordance with its terms. Tenant shall provide

Landlord with corporate resolutions or other proof in a form acceptable to Landlord authorizing the execution of this lease at the time of such execution.

25. Liability of Landlord. The word "Landlord" as used herein includes the Landlord named above as well as its successors and assigns, each of which shall have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this lease as Landlord. Any such person or entity, whether or not named herein, shall have no liability hereunder after it ceases to hold title to the Premises except for obligations already accrued (and, as to any unapplied portion of Tenant's Security Deposit, Landlord shall be relieved of all liability therefor upon transfer of such portion to its successor in interest) and Tenant shall look solely to Landlord's successor in interest for the performance of the covenants and obligations of the Landlord hereunder which thereafter shall accrue. Neither Landlord nor any principal of Landlord nor any owner of the Property, whether disclosed or undisclosed, shall have any personal liability with respect to any of the provisions of this lease or the Premises, and if Landlord is in breach or default with respect to Landlord's obligations under this lease or otherwise, Tenant shall look solely to the equity of Landlord in the Property for the satisfaction of Tenant's claims. Notwithstanding the foregoing, no mortgagee or ground lessor succeeding to the interest of Landlord hereunder (either in terms of ownership or possessory rights) shall be (a) liable for any previous act or omission of a prior landlord, (b) subject to any rental offsets or defenses against a prior landlord or (c) bound by any amendment of this lease made without its written consent, or by payment by Tenant of Minimum Annual Rent in advance in excess of one monthly installment.

26. Interpretation: Definitions.

(a) **Captions.** The captions in this lease are for convenience only and are not a part of this lease and do not in any way define, limit, describe or amplify the terms and provisions of this lease or the scope or intent thereof.

(b) **Entire Agreement.** This lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises or the Property. No rights, easements or licenses are acquired in the Property or any land adjacent to the Property by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. This lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural number. The word "including" followed by any specific item(s) is deemed to refer to examples rather than to be words of limitation. Both parties having participated fully and equally in the negotiation and preparation of this lease, this lease shall not be more strictly construed, nor any ambiguities in this lease resolved, against either Landlord or Tenant.

(c) **Covenants.** Each covenant, agreement, obligation, term, condition or other provision herein contained shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making the same, not dependent on any other provision of this lease unless otherwise expressly provided. All of the terms and conditions set forth in this lease shall apply throughout the Term unless otherwise expressly set forth herein.

(d) **Interest.** Wherever interest is required to be paid hereunder, such interest shall be at the highest rate permitted under law but not in excess of 15% per annum.

(e) **Severability; Governing Law.** If any provisions of this lease shall be declared unenforceable in any respect, such unenforceability shall not affect any other provision of this lease, and each such provision shall be deemed to be modified, if possible, in such a manner as to render it enforceable and to preserve to the extent possible the intent of the parties as set forth herein. This lease shall be construed and enforced in accordance with the laws of the state in which the Property is located.

(f) **"Mortgage" and "Mortgagee."** The word "mortgage" as used herein includes any lien or encumbrance on the Premises or the Property or on any part of or interest in or appurtenance to any of the foregoing, including without limitation any ground rent or ground lease if Landlord's interest is or becomes a leasehold estate. The word "mortgagee" as used herein includes the holder of any mortgage, including any ground lessor if Landlord's interest is or becomes a leasehold estate. Wherever any right is given to a mortgagee, that right may be exercised on behalf of such mortgagee by any representative or servicing agent of such mortgagee.

(g) **"Person."** The word "person" is used herein to include a natural person, a partnership, a corporation, an association and any other form of business association or entity.

(h) **Proportionate Share.** At any time or times, upon request of Landlord or of any tenant of the Building, the method for allocating Tenant's Proportionate Share of any Impositions, cost, charge, rent, expense or payment then or thereafter payable shall be redetermined by an independent qualified expert. The cost of such redetermination shall be borne by the tenants of the Building in

the same proportion as that determined by such expert for reallocation of said relevant sum; except that if such redetermination is requested by a tenant, the cost thereof shall be borne entirely by such tenant if the proportionate share of said relevant sum allocable to such tenant as the result of such redetermination shall not vary by at least 5% from the amount which would have been allocable to such tenant in accordance with the percentage based on square foot area.

27. **Notices.** Any notice or other communication under this lease shall be in writing and addressed to Landlord or Tenant at their respective addresses specified at the beginning of this lease, except that after the Commencement Date Tenant's address shall be at the Premises, (or to such other address as either may designate by notice to the other) with a copy to any mortgagee or other party designated by Landlord. Each notice or other communication shall be deemed given if sent by prepaid overnight delivery service or by certified mail, return receipt requested, postage prepaid or in any other manner, with delivery in any case evidenced by a receipt, and shall be deemed received on the day of actual receipt by the intended recipient or on the business day delivery is refused. The giving of notice by Landlord's attorneys, representatives and agents under this Section shall be deemed to be the acts of Landlord; however, the foregoing provisions governing the date on which a notice is deemed to have been received shall mean and refer to the date on which a party to this lease, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

28. **Security Deposit.** At the time of signing this lease, Tenant shall deposit with Landlord the Security Deposit to be retained by Landlord as cash security for the faithful performance and observance by Tenant of the provisions of this lease. Tenant shall not be entitled to any interest whatever on the Security Deposit. Landlord shall have the right to commingle the Security Deposit with its other funds. Landlord may use the whole or any part of the Security Deposit for the payment of any amount as to which Tenant is in default hereunder or to compensate Landlord for any loss or damage it may suffer by reason of Tenant's default under this lease. If Landlord uses all or any portion of the Security Deposit as herein provided, within 10 days after written demand therefor, Tenant shall pay Landlord cash in amount equal to that portion of the Security Deposit used by Landlord. If Tenant shall comply fully and faithfully with all of the provisions of this lease, the Security Deposit shall be returned to Tenant after the Expiration Date and surrender of the Premises to Landlord.

IN WITNESS WHEREOF, and in consideration of the mutual entry into this lease and for other good and valuable consideration, and intending to be legally bound, Landlord and Tenant have executed this lease.

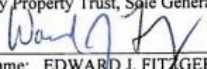
Date signed:



Landlord:

LIBERTY PROPERTY LIMITED PARTNERSHIP

By: Liberty Property Trust, Sole General Partner

By: 
Name: EDWARD J. FITZGERALD
Title: SENIOR VICE PRESIDENT

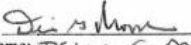
Date signed:

9/4/01

Tenant:

J & J SNACK FOODS CORP. OF NEW JERSEY

Attest:

By: 
Name: DENNIS G. MOORE
Title: Vice President

RIDER

(Section numbers used herein refer to Section numbers used in the Lease Agreement)

4.(b) On the sixth (6th) and tenth (10th) lines, delete "use, occupancy or" and substitute therefor "particular use or occupancy or Tenant's".

7.(b) Add at the end of this subsection:

"Notwithstanding anything to the contrary herein contained, Tenant shall pay to Landlord its Proportionate Share of Impositions billed to Landlord within 30 days after receipt of invoice therefor."

7.(d)(ii) Delete in its entirety and substitute therefor:

"Tenant, at Tenant's sole expense, shall maintain and repair all HVAC systems appurtenant to the Premises using a service firm acceptable to Landlord which shall provide service and maintenance in accordance with the manufacturer's recommendations and shall provide a copy of the contract to Landlord."

7.(d)(iii) On the first (1st) line after "Building", add "fire monitoring system,".

On the second (2nd) line, delete "in the Building, which serve more than one tenant" and substitute therefor "serving the Building which are located outside of the Building".

On the sixth (6th) line after "condition", add " , including landscaping and snow removal".

Add at the end thereof:

"... such fee not to exceed 5% of Minimum Annual Rent as described in Section 1 of this lease. Except as otherwise set forth in subsection (B) of this subsection 7(d)(iii), Operating Expenses shall not include the cost of items which under generally accepted accounting principles are required to be classified as capital expenditures, including replacement of the roof of the Building."

10. On the fourth (4th) line, change "5 days" to "20 days".

12.(a) On the eighth (8th) line after "thereof", add " , restoration of which will take more than 60 days from the date of the casualty to complete and Tenant is unable to conduct business from the Premises,".

13.(d) Add at the end of this subsection:

"Notwithstanding the foregoing, in the event Tenant is unable to reasonably use the Premises or any portion thereof for the conduct of its business for in excess of thirty (30) consecutive days as a result of a temporary taking, Rent shall thereafter abate until Tenant is able to reasonably use same for the conduct of its business, such abatement to be in the proportion that the square footage of the portion of the

Premises which cannot be reasonably used for the conduct of Tenant's business bears to the square footage of the entire Premises."

14. On the second (2nd) line after "Section 13(b)" add "and as to temporary taking in Section 13(d)".

18.(c)(iv) On the first (1st) line after "\$250", add "and no more than \$1,000".

19.(a) Add at the end thereof:

"Landlord agrees, upon request of Tenant, to use commercially reasonable efforts to obtain a non-disturbance agreement from the holder of any mortgage placed upon the Property after the date of this lease."

21.(c) On the fourth (4th) line, delete "double the amount applicable to the last month of the Term" and substitute therefor "150% of the amount applicable to the last month of the Term for the first month, 175% of the amount applicable to the last month of the Term for the second month and double the amount applicable to the last month of the Term thereafter".

22. On the third (3rd) line after "written notice", add "and opportunity to cure as set forth in subsection 23(c)".

23.(c)(ii) Delete in its entirety and substitute therefor:

"Landlord shall not be required to give such 10 days' notice more than 2 times for defaults consisting of the failure to pay money and 2 times for defaults consisting of something other than the failure to pay money during any 12 month period."

25. On the fifth (5th) line after "Landlord shall", add "transfer such portion to its successor in interest and Landlord shall".

26.(h) Delete in its entirety.

27. On the third (3rd) line after "Premises", add "with a copy to Tenant at 6000 Central Highway, Pennsauken, New Jersey 08109. Attention: Dennis Moore.

29. No Improvements by Landlord. The Premises shall be delivered by Landlord to Tenant broom clean in "as is" "where is" condition and Landlord shall have no obligations whatsoever to improve the Premises for Tenant's use, except that prior to the Commencement Date, Landlord shall, at its sole cost and expense, install a concrete walkway between the Property and Landlord's property at 250 High Hill Road, Bridgeport, New Jersey. In the event Tenant elects to expand the parking lot on the Property pursuant to plans and specifications prepared by Tenant and approved by Landlord and otherwise subject to the requirements of Sections 9 and 10 of this lease then upon completion of such improvements and within 30 days after receipt by Landlord of evidence of payment by Tenant of the costs thereof, Landlord shall reimburse Tenant the sum of \$17,500.00 on account of such costs.

30. Environmental Information. At all times during and after the term of this lease, Tenant shall furnish Landlord, upon request, with such information with respect to Tenant's operations at the Premises as is necessary in order for Landlord or any successor owner of the Premises to comply with the New Jersey Industrial Site Recovery Act, N.J. Stat. Ann. 13:1K-6 et seq. and other federal and New Jersey

environmental laws, regulations and ordinances, including without limitation, affidavits to be submitted to the New Jersey Department of Environmental Protection in connection with requests for letters of non-applicability and negative declarations. Tenant's obligations hereunder shall survive the termination of this Lease.

31. Brokers. The parties agree that they have dealt with no brokers in connection with this lease. Each party agrees to indemnify and hold the other harmless from any and all claims for commissions or fees in connection with the Premises and this lease from any real estate brokers or agents with whom they may have dealt.

Exhibit "A"
Plan Showing Premises

To be attached upon return to Tenant

EXHIBIT "B"
LEASE COMMENCEMENT CERTIFICATE

Re: Lease dated _____, 20__ for premises located at 300 Eagle Court, Suite C, Bridgeport, NJ 08014 between Liberty Property Limited Partnership as landlord and J & J Snack Foods Corp. of New Jersey as tenant ("Lease")

Dear _____:

This is to confirm the following with respect to the Lease:

Commencement Date: _____, 20__

Expiration Date: _____, 20__

As set forth in the Lease, Minimum Annual Rent and Annual Operating Expenses are due on or before the Commencement Date for the period from the Commencement Date until the first day of the next calendar month unless the Commencement Date is the first day of the calendar month. Accordingly, the following amounts are due on or before the Commencement Date:

Apportioned Minimum Rent:	\$ _____
Apportioned Operating Expenses:	\$ _____
TOTAL:	\$ _____

Thereafter regular monthly payments will be due in the following amounts until adjusted in accordance with the Lease:

Monthly Rent Installment:	\$ _____
Monthly Operating Payment:	\$ _____
TOTAL MONTHLY PAYMENT:	\$ _____

If you disagree with any of the information set forth above, please advise us in writing within five days of your receipt of this letter; otherwise the Commencement Date and the Expiration Date of the Lease will be as set forth above.

Sincerely,

LIBERTY PROPERTY LIMITED PARTNERSHIP
By: Liberty Property Trust, Sole General Partner

By: _____
Name: Edward J. Fitzgerald
Title: Senior Vice President

BUILDING RULES

1. As stated in the lease, Tenant shall not use the Premises as a "place of public accommodation" as defined in the Americans with Disabilities Act of 1990, which identifies the following categories into one or more of which a business must fall to be a "place of public accommodation":

- a. Places of lodging (examples: hotel, motel)
- b. Establishments serving food or drink (examples: bar, restaurant)
- c. Places of exhibition or entertainment (examples: motion picture house, theater, stadium, concert hall)
- d. Places of public gathering (examples: auditorium, convention center, lecture hall)
- e. Sales or rental establishments (examples: bakery, grocery store, hardware store, shopping center)
- f. Service establishments (examples: bank, laundromat, barber shop, funeral parlor, hospital, gas station, business offices such as lawyer, accountant, healthcare provider or insurance office)
- g. Stations used for specified public transportation (examples: bus terminal, depot)
- h. Places of public display or collection (examples: museum, library, gallery)
- i. Places of recreation (examples: park, zoo, amusement park)
- j. Places of education (examples: nursery, elementary, secondary, private or other undergraduate or postgraduate school)
- k. Social service center establishments (examples: day-care center, senior citizen center, homeless shelter, food bank, adoption agency)
- l. Places of exercise or recreation (examples: gym, health spa, bowling alley, golf course)

2. Any sidewalks, lobbies, passages and stairways shall not be obstructed or used by Tenant for any purpose other than ingress and egress from and to the Premises. Landlord shall in all cases retain the right to control or prevent access by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, peace or character of the Property.

3. The toilet rooms, toilets, urinals, sinks, faucets, plumbing or other service apparatus of any kind shall not be used for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith or left in any lobbies, passages, elevators or stairways.

4. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord's permission.

5. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building, except as approved in writing by Landlord. Tenant shall not remove, without Landlord's prior written consent, any shades, blinds or curtains in the Premises.

6. Without Landlord's prior written consent, Tenant shall not hang, install, mount, suspend or attach anything from or to any sprinkler, plumbing, utility or other lines. If Tenant hangs, installs, mounts, suspends or attaches anything from or to any doors, windows, walls, floors or ceilings, Tenant shall spackle and sand all holes and repair any damage caused thereby or by the removal thereof at or prior to the expiration or termination of the lease. If Tenant elects to seal the floor, Tenant shall seal the entire unfinished floor area within the Premises. If Tenant elects to paint all or any portion of the Premises, Tenant, prior to the termination of the lease, shall restore all or such portion(s) of the Premises to the painted or unpainted condition thereof as of the Commencement Date.

7. Tenant shall not change any locks nor place additional locks upon any doors and shall surrender all keys and passes at the end of the Term.

8. Tenant shall not use nor keep in the Building any matter having an offensive odor, nor explosive or highly flammable material, nor shall any animals other than seeing eye dogs in the company of their masters be brought into or kept in or about the Premises.

9. If Tenant desires to install electrical, signalling, telegraphic, telephone protective alarm or other wires, apparatus or devices, Landlord shall direct where and how the same are to be placed, and except as so directed, no installation boring or cutting shall be permitted. Landlord shall have the right to prevent and to cut off the transmission of excessive or dangerous current of electricity or annoyances into or through the Building or the Premises and to require the changing of wiring connections or layout at Tenant's expense, to the extent that Landlord may deem necessary, and further to require compliance with such reasonable rules as Landlord may establish relating thereto, and in the event of non-compliance with the requirements or rules, Landlord shall have the right immediately to cut wiring or to do what it considers necessary to remove the danger, annoyance or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same.

10. Tenant shall not place weights anywhere beyond the safe carrying capacity of the Building.

11. The use of rooms as sleeping quarters is strictly prohibited at all times.

12. Tenant shall have the right, at Tenant's sole risk and responsibility, to use its proportional share of the parking spaces at the Property as reasonably determined by Landlord. Tenant shall comply with all parking regulations promulgated by Landlord from time to time for the orderly use of the vehicle parking areas, including without limitation the following: Parking shall be limited to automobiles, passenger or equivalent vans, motorcycles, light four wheel pickup trucks and (in designated areas) bicycles. No vehicles shall be left in the parking lot overnight. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow within the Property or with loading and unloading areas of other tenants. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk, and Landlord assumes no responsibility for any damage, destruction, vandalism or theft. Tenant shall cooperate with Landlord in any measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided that no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under its lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle which violates the parking regulations may be cited, towed at the expense of the owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence.

13. If Landlord designates the Building as a non-smoking building and provides outdoor smoking area(s), Tenant and its Agents shall not smoke in the Building.

14. If at Tenant's request, Landlord consents to Tenant having a dumpster at the Property, Tenant shall locate the dumpster in the area designated by Landlord and shall keep and maintain the dumpster clean and painted with lids and doors in good working order and, at Landlord's request, locked.

15. Tenant shall provide Landlord with a written identification of any vendors engaged by Tenant to perform services for Tenant at the Premises (examples: cleaners, security guards/monitors, trash haulers, telecommunications installers/maintenance).

16. Tenant shall cause all of Tenant's Agents to comply with these Building Rules.

17. Landlord reserves the right to rescind, suspend or modify any rules or regulations and to make such other rules and regulations as, in Landlord's reasonable judgment, may from time to time be needed for the safety, care, maintenance, operation and cleanliness of the Property. Notice of any action by Landlord referred to in this paragraph, given to Tenant, shall have the same force and effect as if originally made a part of the foregoing lease. New rules or regulations will not, however, be unreasonably inconsistent with the proper and rightful enjoyment of the Premises by Tenant under the lease.

18. These Building Rules are not intended to give Tenant any rights or claims in the event that Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants and such non-enforcement will not constitute a waiver as to Tenant.

19. Tenant shall be deemed to have read these Building Rules and to have agreed to abide by them as a condition to Tenant's occupancy of the Premises.

EXHIBIT "D"
TENANT ESTOPPEL CERTIFICATE

Please refer to the documents described in Schedule I hereto, (the "Lease Documents") including the "Lease" therein described; all defined terms in this Certificate shall have the same meanings as set forth in the Lease unless otherwise expressly set forth herein. The undersigned Tenant hereby certifies that it is the tenant under the Lease. Tenant hereby further acknowledges that it has been advised that the Lease may be collaterally assigned in connection with a proposed financing secured by the Property and/or may be assigned in connection with a sale of the Property and certifies both to Landlord and to any and all prospective mortgagees and purchasers of the Property, including any trustee on behalf of any holders of notes or other similar instruments, any holders from time to time of such notes or other instruments, and their respective successors and assigns (the "Mortgagees") that as of the date hereof:

1. The information set forth in attached Schedule I is true and correct.
2. Tenant is in occupancy of the Premises and the Lease is in full force and effect, and, except by such writings as are identified on Schedule I, has not been modified, assigned, supplemented or amended since its original execution, nor are there any other agreements between Landlord and Tenant concerning the Premises, whether oral or written.
3. All conditions and agreements under the Lease to be satisfied or performed by Landlord have been satisfied and performed.
4. Tenant is not in default under the Lease Documents, Tenant has not received any notice of default under the Lease Documents, and, to Tenant's knowledge, there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Tenant under the Lease Documents.
5. Tenant has not paid any Rent due under the Lease more than 30 days in advance of the date due under the Lease and Tenant has no rights of setoff, counterclaim, concession or other rights of diminution of any Rent due and payable under the Lease except as set forth in Schedule I.
6. To Tenant's knowledge, there are no uncured defaults on the part of Landlord under the Lease Documents, Tenant has not sent any notice of default under the Lease Documents to Landlord, and there are no events which have occurred that, with the giving of notice and/or the passage of time, would result in a default by Landlord thereunder, and that at the present time Tenant has no claim against Landlord under the Lease Documents.
7. Except as expressly set forth in Part G of Schedule I, there are no provisions for any, and Tenant has no, options with respect to the Premises or all or any portion of the Property.
8. Except as set forth on Part M of Schedule I, no action, voluntary or involuntary, is pending against Tenant under federal or state bankruptcy or insolvency law.
9. The undersigned has the authority to execute and deliver this Certificate on behalf of Tenant and acknowledges that all Mortgagees will rely upon this Certificate in purchasing the Property or extending credit to Landlord or its successors in interest.
10. This Certificate shall be binding upon the successors, assigns and representatives of Tenant and any party claiming through or under Tenant and shall inure to the benefit of all Mortgagees.

IN WITNESS WHEREOF, Tenant has executed this Certificate this ____ day of _____, 19 ____.

Name of Tenant

By: _____

Title: _____

SCHEDULE 1 TO TENANT ESTOPPEL CERTIFICATE

Lease Documents, Lease Terms and Current Status

- A. Date of Lease:
- B. Parties:
 - 1. Landlord:
 - 2. Tenant d/b/a:
- C. Premises known as:
- D. Modifications, Assignments, Supplements or Amendments to Lease:

- E. Commencement Date:
- F. Expiration of Current Term:
- G. Options:
- H. Security Deposit Paid to Landlord: \$
- I. Current Fixed Minimum Rent (Annualized): \$
- J. Current Additional Rent (and if applicable, Percentage Rent)(Annualized): \$
- K. Current Total Rent: \$
- L. Square Feet Demised:
- M. Tenant's Bankruptcy or other Insolvency Actions:

EXHIBIT 21.1 – SUBSIDIARIES OF J & J SNACK FOODS CORP.

	Place of Incorporation
J & J Snack Foods Investment Corp.	Delaware
The ICEE Company	Delaware
J & J Snack Foods Corp. of California	California
J & J Snack Foods Corp./Mia	Pennsylvania
J & J Snack Foods Corp. of Pennsylvania	Pennsylvania
J & J Snack Foods Sales Corp.	New Jersey
J & J Snack Foods Transport Corp.	New Jersey
ICEE-Canada, Inc.	Canada
ICEE de Mexico, S.A. De C.V.	Mexico
J & J Restaurant Group, LLC	New Jersey
Bakers Best Snack Food Corp.	Pennsylvania
Pretzels, Inc.	Texas
Federal Pretzel Baking Company, LLC	Pennsylvania
Country Home Bakers, LLC	Georgia
ICEE of Hawaii, Inc.	Hawaii
DADDY RAY'S, Inc.	Missouri
Hom/Ade Foods, Inc.	Florida

Consent of Independent Registered Public Accounting Firm

We have issued our report dated December 8, 2009 with respect to the consolidated financial statements and schedule, and on the effectiveness of internal control over financial reporting (which report expressed an unqualified opinion and contains an explanatory paragraph relating to the adoption of Accounting Standards Codification No. 740, Income Taxes, relating to uncertainties in income taxes, in 2008) included in the Annual Report of J & J Snack Foods Corp. and Subsidiaries on Form 10-K for the fiscal year ended September 26, 2009. We hereby consent to the incorporation by reference of said reports in the Registration Statements of J & J Snack Foods Corp. and Subsidiaries on Forms S-8 (File No. 333-111292, effective December 18, 2003, File No. 333-94795, effective January 18, 2000, File No. 333-03833, effective May 16, 1996).

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania
December 8, 2009

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis G. Moore, certify that:

1. I have reviewed this report on Form 10-K of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: December 8, 2009

/s/ Dennis G. Moore

Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director
(Principal Financial Officer)
(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald B. Shreiber, certify that:

1. I have reviewed this report on Form 10-K of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: December 8, 2009

/s/ Gerald B. Shreiber

Gerald B. Shreiber
Chairman of the Board,
President, Chief Executive
Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Annual Report of the Company on Form 10-K for the year ended September 26, 2009 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 8, 2009

/s/ Dennis G. Moore

Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director
(Principal Financial Officer)
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Annual Report of the Company on Form 10-K for the year ended September 26, 2009 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 8, 2009

/s/ Gerald B. Shreiber

Gerald B. Shreiber
Chairman of the Board,
President, Chief Executive
Officer and Director
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

★ ★ ★ CORPORATE INFORMATION ★ ★ ★

OFFICERS

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

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

Robert M. Radano
Senior Vice President and
Chief Operating Officer

Vincent A. Melchiorre
Executive Vice President and
Chief Marketing Officer

John Griffith
Vice President, Information Systems

Harry Fronjian
Vice President, Human Resources

DIRECTORS

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

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

Sidney R. Brown (1)(2)(3)
Chief Executive Officer,
NFI Industries

Peter G. Stanley (1)(2)(3)
Vice President,
Emerging Growth Equities, Ltd.

Leonard M. Lodish, Ph.D. (1)(2)(3)
Samuel R. Harrell Professor,
Marketing Department and Vice Dean,
Wharton West of the Wharton School,
University of Pennsylvania

**OFFICERS OF
SUBSIDIARY
COMPANIES**

J&J SNACK FOODS SALES CORP.

Cliff Best
Vice President, Distributor Sales

Barbara Dassatti
Regional Vice President, Foodservice Sales

John Duckett
Vice President, Service & Assembly

Tom Hunter
Vice President, General Manager
Uptown Bakeries

Paul Kennedy
Vice President, Safety

Paul Klingensmith
Vice President, Sales - Frozen Desserts

Gerard Law
Vice President, Western Operations

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Nominating Committee Member

H. Robert Long
Vice President, Distribution

Harry A. McLaughlin
Vice President, Controller

Robert J. Pape
Vice President, Sales - Retail

Leong-Chai Tan
Vice President, Chief Financial Officer,
J&J Snack Foods Corp. of California

Steven J. Taylor
Vice President, Sales - Food Service

Robyn Shreiber
Vice President, National Account Sales

Thomas Weber
Vice President, Operations

MIA PRODUCTS

T.J. Couzens
Vice President/General Manager

Ernest Fogle
Vice President, Research & Development

THE ICEE COMPANY

Dan Fachner
President

Kent Galloway
Vice President and Chief Financial Officer

Scott Carter
Vice President, Operations

David Lauder
Vice President, Controller

Rick Naylor
Vice President/General Manager
Central Zone

Dan O' Malley
Vice President/General Manager
Western Zone

Rod Sexton
Vice President, Service Support

Mark Winterhalter
Vice President/General Manager
Eastern Zone

Susan Woods
Vice President, Marketing

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

Andres González
Vice President/General Manager

COUNTRY HOME BAKERS, INC.

Vincent A. Melchiorre
President

Mike Harvison
Vice President, General Manager

PRETZELS, INC.

Gary Powell
President

HOM/ADE FOODS, INC.

Greg Lowery
President

**QUARTERLY COMMON
STOCK DATA**

FISCAL 2009	MARKET PRICE	
	HIGH	LOW
1st Quarter	\$34.50	\$24.07
2nd Quarter	36.57	30.12
3rd Quarter	40.14	32.10
4th Quarter	44.75	35.17

FISCAL 2008	HIGH	LOW
1st Quarter	\$38.76	\$29.01
2nd Quarter	31.85	23.38
3rd Quarter	29.97	26.74
4th Quarter	36.07	27.00

STOCK LISTING

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

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
New York, NY

INDEPENDENT ACCOUNTANTS

Grant Thornton LLP
Philadelphia, PA

COUNSEL

Flaster Greenberg, LLP
Cherry Hill, NJ

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for:

Monday, February 8, 2010
10:00 AM
The Crowne Plaza
2349 Marlton Pike West
Cherry Hill, NJ

FORM 10-K

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

J&J Snack Foods Corp.
6000 Central Highway
Pennsauken, NJ 08109
Attention: Dennis G. Moore

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

J&J SNACK FOODS CORP.



www.jjsnack.com

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