

U.S. Department of Justice



United States Attorney
Southern District of New York

The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007

January 22, 2001

John T. Montgomery, Esq.
Ropes & Gray
One International Place
Boston, Massachusetts 02110

Re: Aurora Foods, Inc.

Dear Mr. Montgomery:

The Office of the United States Attorney for the Southern District of New York ("this Office") has received your letter of January 22, 2001 on behalf of Aurora Foods, Inc. ("Aurora") to United States Attorney Mary Jo White, a copy which is attached hereto ("the Letter"). The Letter describes, among other things, Aurora's immediate self-disclosure of criminal activity at Aurora, and its voluntary efforts to cooperate with this Office in its criminal investigation into false and misleading statements and omissions in connection with Aurora's financial statements and public filings with the United States Securities and Exchange Commission ("SEC") from in or about mid-1998 until in or about February 2000, and in connection with quarterly reviews and annual audits of Aurora conducted by independent public auditors from in or about 1999 until in or about February 2000. The Letter also discloses measures that Aurora has undertaken internally to investigate the accounting fraud, and outlines corrective actions that Aurora has implemented, and is planning to implement, to ensure proper accounting, reporting, and disclosure of Aurora's true financial situation in all future public announcements, filings, and reports, and to ensure compliance with all federal, state and local laws and regulations.

In recognition of the representations set forth in the Letter, and of Aurora's: (i) immediate reporting of the criminal activity to law enforcement authorities; (ii) complete and honest cooperation with law enforcement authorities; (iii) extensive efforts to terminate all culpable employees and deter future

FEB-25-2004 12:00

John T. Montgomery, Esq.
January 22, 2001
Page 2

wrongdoing; (iv) adoption of a plan to implement an effective compliance program; and (v) willingness to cooperate with this Office, the Federal Bureau of Investigation, and with the SEC, and because Aurora has represented that there was no prior misconduct by either division of Aurora prior to the merger of the two divisions in 1998 and this Office is unaware of any evidence of such misconduct, and having considered the financial condition of Aurora and the negative effect that charges would have on Aurora's innocent employees and shareholders, and on the understandings specified below, this Office will not criminally prosecute Aurora for any crimes (except for any possible criminal tax violations, if any, as to which this Office cannot and does not make any agreement) related to false or misleading statements or omissions in Aurora's financial statements and public SEC filings from mid-1998 until February 2000, and false or misleading statements or omissions in connection with Aurora's quarterly reviews and annual audits conducted by independent public auditors from in or about 1999 until in or about February 2000. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to Aurora Foods, Inc., and not to any individuals.

It is understood that Aurora: (a) shall truthfully and completely disclose all information with respect to the activities of Aurora, and its respective officers and employees, concerning all matters about which this Office inquires of them, which information can be used for any purpose; (b) shall cooperate fully with this Office, the Federal Bureau of Investigation, the SEC, and any other law enforcement agency so designated by this Office; (c) shall provide to this Office, upon request, any document, record or other tangible evidence relating to matters about which this Office or other designated law enforcement agency inquires of them; (d) shall provide to this Office and to any designated law enforcement agency unlimited access to Aurora facilities, documents and employees; and (e) shall commit no crimes whatsoever. The obligation of cooperation further includes an obligation upon Aurora to continue to fund the internal investigation of wrongdoing at Aurora until such investigation has been completed and to fund such efforts by Aurora and their employees as are necessary to assist the Government in evaluating and interpreting the results of that investigation.

It is further understood that, with respect to any information, testimony, document, record, or other tangible evidence provided to this Office, any law-enforcement agency, or

FEB-25-2004 12:00

John T. Montgomery, Esq.
January 22, 2001
Page 3

a grand jury, Aurora consents to any and all disclosures of such materials as this Office, in its sole discretion, deems appropriate. With respect to any such materials that arguably may constitute "matters occurring before the grand jury" within the meaning of Federal Rule of Criminal Procedure 6(e), Aurora further consents to (1) any order sought by this Office permitting disclosure, and (2) this Office's ex parte and/or in camera application for such orders.

It is further understood that Aurora hereby waives the attorney-client, work product, and any other applicable privileges with respect to any and all documents and information provided to the Government relating to the accounting fraud described above. Such waiver shall not extend to, and the Company shall not provide, documents or information that include or reflect communications with, between or among counsel constituting or relating to advice to the Board or the Company, or relating to actual or potential litigation, or analysis or advice concerning potential liability in, the handling of, or negotiations relating to, actual or potential litigation.

It is further understood that Aurora shall implement corrective and remedial actions set forth in the Letter, including (i) retaining a mutually acceptable outside consultant within 30 days of this Agreement to advise Aurora regarding an appropriate compliance program; (ii) implementing the recommendations made by that outside consultant; (iii) appointing two independent and outside directors, including one to serve on the audit committee and track the implementation of the compliance program; (iv) appointing a compliance officer to oversee the implementation of the compliance program and to serve as "ombudsman"; and (v) consulting with the Office with regard to personnel decisions relating to the compliance program. It is further understood that Aurora shall comply with all the terms and conditions of the SEC final judgment filed on January 23, 2001.

It is further understood that this Agreement does not bind any federal, state, or local prosecuting authorities other than this Office. This Office will, however, bring the cooperation of Aurora to the attention of other prosecuting offices or regulatory authorities, if requested by Aurora's counsel.

It is further understood and Aurora hereby represents that prior to February 2000, when the matter came to the

John T. Montgomery, Esq.
January 22, 2001
Page 4

attention of the board of directors, no Aurora current director or current corporate officer had any knowledge of any false or misleading statements or omissions in connection with Aurora's financial statements and public SEC filings from mid-1998 until February 2000, or false or misleading statements or omissions in connection with Aurora's quarterly reviews and annual audits conducted by independent public auditors from in or about 1999 until in or about February 2000.

Upon request of this Office, with respect to any issue relevant to the criminal investigation into the accounting fraud at Aurora, Aurora shall designate knowledgeable employees, officers, agents, or attorneys ("Designated Employees") to provide information and/or materials on Aurora's behalf to this Office or to any designated law enforcement agency. It is further understood that Aurora must at all times give complete, truthful, and accurate information.

It is understood that should it be determined that (a) Aurora committed any crimes subsequent to the date of the signing of this Agreement; (b) Aurora has given false, incomplete, or misleading information; (c) prior to February 2000, when the matter came to the attention of the board of directors, any Aurora current director or current corporate officer did have knowledge of any false or misleading statements or omissions in connection with Aurora's financial statements and public SEC filings from in or about mid-1998 until in or about February 2000, or false or misleading statements or omissions in connection with Aurora's quarterly reviews and annual audits conducted by the independent public auditors from in or about 1999 until in or about February 2000; or (d) Aurora otherwise violated any provision of this Agreement, Aurora shall thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including, but not limited to, obstruction of justice. Any such prosecutions may be premised upon information provide by Aurora. Moreover, any such prosecutions that are not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against Aurora in accordance with this Agreement, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of any such prosecutions. It is the intent of this Agreement to waive any and all defenses based on the statute of limitations with respect to any prosecutions which are not time-barred on the date this Agreement is signed.

John T. Montgomery, Esq.
January 22, 2001
Page 5


Furthermore, it is agreed that if it is determined that Aurora has committed any crime after signing this Agreement or otherwise violated any provision of this Agreement, (i) all statements made by or on behalf of Aurora to this Office or other designated law enforcement agents, or any other testimony given by any agent of Aurora before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement; and any leads from such statements or testimony, shall be admissible in any and all criminal proceedings hereafter brought against Aurora, and (ii) Aurora shall not assert any claim under the United States Constitution, any statute, Rule 11(e)(6) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule, that statements made by or on behalf of Aurora prior to or subsequent to this Agreement, or any leads therefrom, should be suppressed. It is the intent of this Agreement to waive any and all rights in the foregoing respects.

The decision as to whether the conduct and/or statements of any individual will be imputed to Aurora for the purpose of determining whether Aurora has violated any provision of this Agreement shall be in the sole discretion of this Office.


It is further understood that this Agreement is a public document and may be made available to any person by this Office or Aurora.

John T. Montgomery, Esq.
January 21, 2001
Page 6

With respect to this matter, this Agreement supersedes all prior, if any, understandings, promises, and/or conditions between this Office and Aurora. No additional promises, agreements, and conditions have been entered into than those set forth in this letter, and none will be entered into unless in writing and signed by all parties.


By: 
Andrew J. Corensey
Bonnie Jones
Assistant United States Attorneys
(212) 637-2204

APPROVED:



Alan R. Kaufman
Chief, Criminal Division

AGREED AND CONSENTED TO:

AURORA FOOD, INC.

By: 
Richard Drexdale
Chairman, Board of Directors
Aurora Foods, Inc. DATE 1/22/01

APPROVED:


John T. Montgomery, Esq.
Attorney for Aurora Foods, Inc. DATE 1/22/01

TOTAL P.07

TOTAL P.07

TOTAL P.02

TOTAL P.07