

Edgar Filing: CENUCO INC - Form 10-Q/A

CENUCO INC  
Form 10-Q/A  
January 23, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q/A  
AMENDMENT NO. 1

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

For the fiscal thirteen weeks ended November 26, 2005  
Commission File Number: 033-25900

CENUCO, INC.  
-----

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE  
-----

75-2228820  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

2000 LENOX DRIVE, SUITE 202  
LAWRENCEVILLE, NEW JERSEY 08648  
-----

(Address of principal executive offices)  
(Zip Code)

(609) 219-0930  
-----

(Registrant's Telephone Number, Including Area Code)

(Former Address, If Changed Since Last Report.)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

On November 26, 2005, the issuer had outstanding 13,861,556 shares of common stock, \$.001 par value per share.

1

CENUCO, INC. AND SUBSIDIARIES  
FORM 10-Q  
THIRTEEN WEEKS ENDED NOVEMBER 26, 2005

INDEX

Edgar Filing: CENUCO INC - Form 10-Q/A

PAGE

PART I. Financial Information

Item 1 - Financial Statements

Consolidated Balance Sheets  
As of November 26, 2005 (Unaudited) and February 28, 2005 3

Consolidated Statements of Operations (Unaudited)  
For the Thirteen and Thirty-Nine Weeks ended  
November 26, 2005 and November 27, 2004 4

Consolidated Statement of Stockholders'/Members' Equity (Deficit)  
(Unaudited) For the Thirty-Nine Weeks ended November 26, 2005 5

Consolidated Statements of Cash Flows (Unaudited)  
For the Thirty-Nine Weeks ended  
November 26, 2005 and November 27, 2004 6

Notes to Consolidated Financial Statements 7

Item 2 - Management's Discussion and Analysis And Results of Operations 25

Item 3 - Quantitative and Qualitative Disclosures About Market Risk 37

PART II. - OTHER INFORMATION

Item 1 - Legal Proceedings 37

Item 2 - Exhibits 38

Signatures 38

EXPLANTORY NOTE

This revised filing amends the Quarterly Report on Form 10-Q filed by the Registrant on January 18, 2006.

The revised version corrects certain typographical and formatting errors, and clarifies and/or expands certain of the Notes (primarily Note 6 regarding the Financing Facility) to the Financial Statements and Management Discussion and Analysis.

There were no adjustments to the Financial Statements previously reported.

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENUCO, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

November 26, 2005      February 28, 2005  
-----

Edgar Filing: CENUCO INC - Form 10-Q/A

Current Assets:		
Cash and cash equivalents .....	\$ 4,488,488	\$ 31,763
Trade receivables, net of allowance for doubtful accounts of \$586,651 at November 26, 2005 and \$547,306 at February 28, 2005 .....	8,300,589	8,002,867
Notes receivable, current portion .....	93,413	-
Inventories .....	16,886,032	8,725,952
Prepaid expenses and other .....	2,775,394	564,617
	-----	-----
Total current assets .....	32,543,916	17,325,199
Property, plant and equipment, net .....	6,576,136	6,017,533
Goodwill .....	36,501,655	-
Intangibles, net .....	49,533,204	-
Notes receivable, less current portion .....	540,467	-
Other assets, net .....	2,714,888	692,817
	-----	-----
Total assets .....	\$ 128,410,266	\$ 24,035,549
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable .....	\$ 9,179,216	\$ 10,541,956
Accrued expenses .....	3,229,119	2,845,485
Bridge loan .....	80,000,000	-
Current portion of long-term debt .....	43,767	8,929,540
	-----	-----
Total current liabilities .....	92,452,102	22,316,981
Long-term debt, less current portion .....	-	6,875,296
Long-term pension obligation .....	728,778	673,328
Other liabilities .....	200,000	-
	-----	-----
Total liabilities .....	93,380,880	29,865,605
Stockholders' equity:		
Preferred stock, par value \$.001 per share; Authorized 1,000,000 shares; issued 2,553.6746 shares at November 26, 2005; no shares issued at February 28, 2005 .....	3	-
Common stock, par value \$.001 per share; Authorized 25,000,000 shares; issued 13,861,556 shares at November 26, 2005; no shares issued at February 28, 2005 .....	13,862	-
Additional paid in capital .....	37,886,618	-
Accumulated deficit .....	(2,703,634)	-
Members' contribution .....	-	2,000
Accumulated members' loss .....	-	(5,707,597)
Accumulated comprehensive loss .....	(167,463)	(124,459)
	-----	-----
Total stockholders' equity (deficit) .....	35,029,386	(5,830,056)
	-----	-----
Total liabilities and stockholders' equity .....	\$ 128,410,266	\$ 24,035,549
	=====	=====

See accompanying notes to consolidated financial statements.

Edgar Filing: CENUCO INC - Form 10-Q/A

	Thirteen weeks ended		Thirty-nine
	Nov 26, 2005	Nov 27, 2004	Nov 26, 2005
	-----	-----	-----
Net sales .....	\$ 18,376,637	\$ 18,017,820	\$ 52,568,486
Costs of sales .....	16,748,620	16,120,394	48,648,164
	-----	-----	-----
Gross profit .....	1,628,017	1,897,426	3,920,322
Operating expenses:			
Selling and marketing .....	965,645	854,986	2,809,510
General and administrative .....	2,961,213	1,679,597	7,029,705
	-----	-----	-----
Total operating expenses .....	3,926,858	2,534,583	9,839,215
Loss from operations .....	(2,298,841)	(637,157)	(5,918,893)
Other income, net .....	2,812,398	391,287	2,884,573
Interest expense, net .....	(737,686)	(340,534)	(1,503,308)
	-----	-----	-----
Total other/interest expense .....	2,074,712	50,753	1,381,265
	-----	-----	-----
Loss before income taxes .....	(224,129)	(586,404)	(4,537,628)
Income taxes .....	-	-	-
	-----	-----	-----
Net loss .....	\$ (224,129)	\$ (586,404)	\$ (4,537,628)
	=====	=====	=====
Basic and diluted net loss per share - common .....	\$ (0.02)	-	\$ (0.20)
Basic and diluted net loss per share - preferred (see Note 11) .....	\$ -	\$ (230)	\$ (718)
Shares used in computing net loss per share:			
Basic and diluted - common .....	13,833,094	-	13,765,693
Basic and diluted - preferred .....	2,554	2,554	2,554

See accompanying notes to consolidated financial statements.

4

CENUCO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' / MEMBERS' EQUITY (DEFICIT)  
FOR THE THIRTY-NINE WEEKS ENDED NOVEMBER 26, 2005

	Series A Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Stockholders' Deficit
	Shares	\$	Shares	\$		
	-----	----	-----	-----	-----	-----
BALANCE AT FEBRUARY 28, 2005 .....	-	\$ -	-	\$ -	\$ -	-
Other Comprehensive Loss: Foreign currency						

Edgar Filing: CENUCO INC - Form 10-Q/A

translation .....	-	-	-	-	-	-
Net loss to date of recapitalization and Merger .....	-	-	-	-	-	-
Net loss subsequent to Merger .....	-	-	-	-	-	(2,703,634)
Total Comprehensive Loss:						
Conversion from LLC to Corporation ....	2,553.7	3	-	-	(7,541,591)	-
Exercise of warrants ....			111,000	111	110,889	
Reverse acquisition of Cenuco, Inc. ....	-	-	13,750,556	13,751	45,317,320	-
	-----	----	-----	-----	-----	-----
BALANCE AT NOVEMBER 26, 2005 .....	2,553.7	\$ 3	13,861,556	\$13,862	\$37,886,618	\$(2,703,634)
	-----	----	-----	-----	-----	-----

	Members' Contributions	Accumulated Members' Loss	Accumulated Other Comprehensive Loss	Stockholders' / Members' Equity (Deficit)
	-----	-----	-----	-----
BALANCE AT FEBRUARY 28, 2005 .....	\$ 2,000	\$(5,707,597)	\$(124,459)	\$(5,830,056)
Other Comprehensive Loss:				
Foreign currency translation .....	-	-	(43,004)	(43,004)
Net loss to date of recapitalization and Merger .....	-	(1,833,994)	-	(1,833,994)
Net loss subsequent to Merger .....	-	-	-	(2,703,634)
				-----
Total Comprehensive Loss: .....				(4,580,632)
				-----
Conversion from LLC to Corporation ....	-	7,541,591	-	3
Exercise of warrants ....				111,000
Reverse acquisition of Cenuco, Inc. ....	(2,000)	-	-	45,329,071
	-----	-----	-----	-----
BALANCE AT NOVEMBER 26, 2005 .....	\$ -	\$ -	\$(167,463)	\$ 35,029,386
	-----	-----	-----	-----

See accompanying notes to consolidated financial statements.

Edgar Filing: CENUCO INC - Form 10-Q/A

	Thirty-nine weeks ended November 26, 2005	November
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss .....	(\$ 4,537,628)	(\$ 1,83
ADJUSTMENTS TO RECONCILE NET LOSS		
TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation and amortization .....	970,383	72
Provision for bad debts .....	214,971	18
Amortization of deferred financing costs .....	467,451	9
Gain on settlement of Seller's Note .....	(2,500,000)	
Gain on disposal of fixed assets .....	(32,833)	
Changes in operating assets and liabilities:		
Accounts receivable .....	(457,722)	(2,05
Inventories .....	(8,138,441)	(99
Prepaid expenses and other .....	(1,772,998)	(17
Other assets .....	(130,696)	
Accounts payable .....	(1,458,978)	3,20
Accrued expenses .....	206,283	(4
Long-term pension obligations .....	55,450	8
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES .....	(17,114,758)	(79
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in cash from reverse acquisition of Cenuco .....	6,002,887	
Proceeds from note receivable .....	71,142	
Acquisition costs .....	-	(
Purchase of property, plant and equipment .....	(1,126,800)	(48
Proceeds from disposal of fixed assets .....	-	3
Purchase of intellectual property, including acquisition costs ..	(\$47,270,313)	
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES .....	(42,323,084)	(45
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bridge loan proceeds .....	80,000,000	
Net (repayments) borrowings under line of credit .....	(5,698,935)	1,83
Financing costs .....	(2,912,360)	(2
Repayments of long-term debt .....	(6,843,890)	(50
Repayments of capital leases .....	(718,244)	(4
Proceeds from exercise of warrants .....	111,000	
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES .....	63,937,571	1,25
	-----	-----
Effect of exchange rates on cash and cash equivalents .....	(43,004)	
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	4,456,725	
Cash and cash equivalents at beginning of period .....	31,763	
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD .....	\$ 4,488,488	\$
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid for interest .....	\$ 1,819,791	\$ 86
Reverse merger, excluding cash acquired (see Note 1):		
Estimated fair value of tangible assets acquired .....	\$ 1,199,715	

## Edgar Filing: CENUCO INC - Form 10-Q/A

Goodwill and identifiable intangible assets acquired .....	38,974,680
Liabilities assumed .....	(473,590)
	-----
Net assets acquired .....	\$ 39,700,805
	=====

See accompanying notes to consolidated financial statements.

6

Cenuco, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
November 26, 2005 (Unaudited)

NOTE 1 -- DESCRIPTION OF BUSINESS AND REORGANIZATION

On May 20, 2005, Hermes Holding Company, Inc., a newly formed wholly owned subsidiary of Cenuco, Inc., ("Cenuco", a public company traded on the American Stock Exchange under the symbol, "ICU") merged (the "Merger") with Hermes Acquisition Company I LLC (HACI), a limited liability company organized on April 25, 2003 in the State of Delaware.

The Merger was completed through the issuance of 2,553.7 shares of Cenuco's Series A Junior Participating Preferred Stock (representing 65% of the outstanding voting power of Cenuco capital stock) in exchange for all the outstanding membership units of HACI. As a consequence of the Merger, HACI, together with its wholly owned subsidiaries Lander Co., Inc., a Delaware corporation ("Lander US"), Hermes Real Estate I LLC, a New York limited liability company ("HREI"), and Lander Co. Canada Limited, an Ontario corporation ("Lander Canada" and together with Lander US and HREI, "Lander") became wholly owned subsidiaries of Cenuco.

For financial reporting purposes, the Merger was treated as a recapitalization of HACI followed by the reverse acquisition of Cenuco by HACI for a purchase price equivalent to the total market value of Cenuco stock outstanding prior to the Merger, plus the fair value of the options that automatically vested on the date of the Merger (approximately \$45.3 million). Consistent with the accounting and presentation for reverse acquisitions, the historical financial statements of Cenuco prior to the date of the Merger reflect the financial position and results of operations of HACI and HREI, with the results of operations of Cenuco being included commencing on May 20, 2005. Effective with the completion of the Merger Cenuco changed its fiscal year end to be the last day of February, consistent with HACI's prior fiscal year.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, the Company has determined the fair value of the assets acquired and liabilities assumed in the reverse acquisition of Cenuco. The estimated fair value of the assets acquired less liabilities has been allocated as shown below:

The allocation of Purchase Price is as follows:

Cash and cash equivalents .....	\$ 6,002,887
Other current assets .....	496,526
	-----
Total current assets .....	6,499,413
Property, plant, and equipment .....	111,382
Goodwill .....	36,501,655
Intangibles .....	2,473,025
Other Assets .....	591,807
	-----

## Edgar Filing: CENUCO INC - Form 10-Q/A

Total assets acquired .....	46,177,282 -----
Total liabilities assumed .....	(473,590) -----
Estimated fair value of net assets acquired .....	\$ 45,703,692 -----

7

Following the Merger, the Company's business consists of the Health and Beauty Care ("HBC") Division and the Wireless Application Development ("WAD") Division. The HBC Division is doing business as Lander Co., Inc. ("Lander"). Lander's principal business activity is the manufacture and distribution of health, beauty and oral-care products, primarily throughout the United States and Canada. The WAD Division is doing business as Cenuco, Inc. and has primary focus on wireless application development. WAD is engaged in the wireless application technology business, primarily related to the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. This is also known as remote video monitoring via cellular device. In this wireless segment, WAD provides cellular carriers, Internet Service Providers, resellers, and distributors a host of wireless video streaming products that can generate an increase in subscriber adoption of wireless data services, as well as broadband Internet services.

HACI was formed to acquire the business activities of Lander US and Lander Canada. Effective May 31, 2003, HACI purchased certain assets and assumed certain liabilities associated with the Lander US business operations and acquired 100% of the outstanding stock of Lander Canada for an aggregate purchase price of \$11,091,456, including acquisition costs of \$1,160,456. In addition, HREI purchased the Lander US production plant located in Binghamton, New York for a purchase price of \$3,304,864, including acquisition costs of \$254,864, on October 15, 2003 (collectively the "Acquisitions"). Property, plant and equipment was recorded at fair value reduced by the excess of fair value of net assets acquired over the purchase price of \$1,095,813. In accounting for these acquisitions, the Company followed the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations". This Statement requires the purchase method of accounting be used for all business combinations and provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill. On March 1, 2005, HREI became a wholly owned subsidiary of HACI. Prior thereto, HACI an HREI had the same ownership.

The Company is subject to various risks, including, but not limited to, (i) the ability to obtain adequate financing to fund operations, (ii) a limited operating history, (iii) reliance on certain markets, and (iv) reliance on key personnel.

### NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accompanying unaudited financial statements of Cenuco as of and for the thirteen and thirty-nine weeks ended November 26, 2005 and November 27, 2004 have been prepared in accordance with generally accepted accounting principles. The financial information furnished reflects all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The results of operations for the respective interim periods are not necessarily indicative of results to be expected for the full year.



## Edgar Filing: CENUCO INC - Form 10-Q/A

8

A summary of the Cenuco's significant accounting policies follows:

**Basis of Consolidation:** The accompanying consolidated financial statements include the accounts of Cenuco, Inc. and subsidiaries. All intercompany accounts have been eliminated in consolidation.

**Cash Equivalents:** The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

**Accounts Receivable:** Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which would increase our operating costs.

**Inventories:** Inventories produced by the Company are stated at the lower of cost or market, with cost determined using the first-in, first-out (FIFO) method. Inventories consist of raw materials used to manufacture the Company's health, beauty and oral care products, as well as, finished goods that consist of the Company's product lines sold to its customers. The Company writes down inventory for estimated excess and discontinued products equal to the difference between cost and estimated market value based upon assumptions about future demand and market conditions. Excess and discontinued product inventory could arise due to numerous factors, including but not limited to, the competitive nature of the market and product demand by consumers. If market conditions are less favorable than those anticipated by management, additional write-downs may be required, including provisions to reduce inventory to net realizable value. Inventories acquired in the November 16, 2005 acquisition of Playtex assets have been valued at fair value and amounted to approximately \$ 8.8 million as of November 26, 2005.

**Property, Plant and Equipment:** Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The costs of major additions and improvements are capitalized and maintenance and repairs that do not improve or extend the life of the respective assets are charged to operations as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to twenty-five years. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives. If the Company determines that a change is required in the useful life of an asset, future depreciation/amortization is adjusted accordingly.

**Impairment of Long-Lived Assets:** Accounting for the impairment of long-lived assets, including property, plant and equipment, requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Under such circumstances, the accounting principles require that such assets be reported at the lower of their carrying amount or fair value less cost to sell. Accordingly, when events or circumstances indicate that long-lived assets may be impaired, the Company estimates the assets' future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized based on the excess of the carrying amount over the fair value of the asset.

Goodwill and Indefinite Lived Intangibles: As a result of the Merger on May 20, 2005 (see Note 1), the Company recorded goodwill of \$36,501,655. Goodwill represents the excess of cost over the fair value of identifiable net assets acquired. As a result of the purchase of assets from Playtex on November 16, 2005 (see Note 3), the Company has made a preliminary allocation of the purchase price to the estimated fair value of the assets acquired, which resulted in \$16.9 million being allocated to intangible assets (brand names and product formulas), initially estimated to have indefinite lives. SFAS 142, "Goodwill and Other Intangible Assets", requires goodwill and other intangibles that have indefinite lives to not be amortized but to be reviewed annually for impairment or more frequently if impairment indicators arise.

#### Amortizable Intangible Assets

SFAS 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives and reviewed for impairment. As a result of the merger on May 20, 2005, the Company recorded customer lists of \$2,000,000 and a brand name of \$473,025, with estimated useful lives of five and fifteen years, respectively. Amortization expense of the Company's customer list and brand name totaled \$107,588 and \$224,634 for the thirteen and thirty-nine weeks ended November 26, 2005. There was no amortization expense on these intangible assets in prior periods. For the Playtex asset acquisition on November 16, 2005, a preliminary allocation of the purchase price resulted in \$30.4 million being allocated to customer relationships with estimated useful lives initially estimated of up to 25 years, to be amortized on an accelerated basis. The amortization expense recorded for the thirteen or thirty-nine weeks ended November 26, 2005 was \$33,337.

Other Assets, Net: Other assets, net consist primarily of deferred financing costs of approximately \$2.7 million related to the bridge loan with a term of six months. The deferred financing costs are being amortized on a straight-line basis over the anticipated six-month term of the bridge loan ending May 15, 2006. Amortization expense related to deferred financing costs was \$354,770 and \$467,451, respectively, for the thirteen and thirty-nine weeks ended November 26, 2005 and \$32,709 and \$98,799, respectively, for the thirteen and thirty-nine weeks ended November 27, 2004.

Fair Value of Financial Instruments: The carrying amounts reported in the accompanying balance sheets for accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of these accounts. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions.

Revenue Recognition: For the Health & Beauty Care (HBC) division, revenue from product sales is recognized when the related goods are shipped, all significant obligations of the Company have been satisfied, persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured or probable.

Amounts billed to customers related to shipping and handling are included in net sales. The cost of shipping products to the customer is recognized at the time the products are shipped and included in cost of sales.

## Edgar Filing: CENUCO INC - Form 10-Q/A

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art wireless technology and services, the Wireless Application Development (WAD) division recognizes revenue as services are performed on a pro-rata basis over the contract term or when products are delivered. WAD periodically enters into agreements whereby the customer or distributor may purchase wireless products on a consignment type basis. Revenues are recognized under these arrangements only when the customer or distributor has resold the product and the Company has an enforcement right to its sales price.

**Foreign Currency Translation:** In accordance with SFAS No. 52, Foreign Currency Translation, the financial statements are measured using local currency as the functional currency. Assets and liabilities of Lander Canada have been translated at U.S. dollars at the fiscal period-end exchange rates. Revenues and expenses have been translated at average exchange rates for the related period. Net translation gains and losses are reflected as a separate component of stockholders' equity until there is a sale or liquidation of the underlying foreign investment.

Foreign currency gains and losses resulting from transactions are included in the consolidated statements of operations.

**Estimates:** The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates the estimates and may adjust them based upon the latest information available. These estimates generally include those related to product returns, bad debts, inventory reserves for excess and discontinued products, income taxes and contingencies. The Company bases the estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

**Concentration of Credit Risk:** Cenuco provides credit to its customers in the normal course of business and does not require collateral. To reduce credit risk, Cenuco performs ongoing credit evaluations of its customers.

11

Five trade customers comprised 42% and 46% respectively of Cenuco's net sales, (with two customers comprising approximately 34% and 38% respectively) for the thirteen and thirty-nine weeks ended November 26, 2005. At November 26, 2005 the same five trade customers represented 42% of receivables, with one customers comprising 29%.

Five trade customers comprised 44% and 44% respectively of Cenuco's net sales, (with two customers comprising approximately 35% and 36% respectively) for the thirteen and thirty-nine weeks ended November 27, 2004. At November 27, 2004 the same five trade customers represented 43% of receivables, with one customer comprising 28%.

**Income Taxes:** Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable

## Edgar Filing: CENUCO INC - Form 10-Q/A

income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. A full valuation allowance at November 26, 2005 and February 28, 2005 has been recorded by management due to the uncertainty that future income will be generated and the related deferred tax assets realized.

Earnings per share: Emerging Issues Task Force ("EITF") 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128" ("EITF 03-6") provides guidance in determining when the two-class method, as defined in SFAS No. 128, "Earnings per Share" must be utilized in calculating earnings per share by a Company that has issued securities other than common stock that contractually entitles the holder to participate in dividends and earnings of the Company when, and if, the Company declares dividends on its common stock. Under the two-class method earnings are allocated to common stock and participating securities to the extent that each security may share in such earnings and as if such earnings for the period had been distributed. Under the two-class method losses are allocated to participating securities to the extent that such security is obligated to fund the losses of the issuing entity or the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. In accordance with EITF 03-6, basic earnings per share for the Company's common stock and Series A Junior Participating Preferred Stock ("Series A Preferred") is calculated by dividing net loss allocated to common stock and Series A Preferred by the weighted average number of shares of common stock and Series A Preferred outstanding, respectively. Diluted earnings per share for the Company's common stock is calculated similarly, except that the calculation includes the effect, if dilutive, of the assumed exercise of stock options issuable under the Company's stock-based employee compensation plan and the assumption of the conversion of all of the Company's Series A Preferred stock to common stock. Basic and diluted loss per share for the Company's common stock is calculated by dividing the net loss for the period during which such shares were outstanding by the weighted average number of shares outstanding. No losses are allocated to the Series A Preferred for the period during which the Company's common stock is outstanding since the holders of the Series A Preferred are not obligated to share in the Company's losses as described above.

12

### NOTE 3 - PLAYTEX ACQUISITION

On November 16, 2005, Lander US and Lander Intangibles Corporation (Lander Intangibles), a newly formed wholly owned subsidiary of HACI, acquired several Playtex's brands, including Baby Magic(R), Binaca(R), Mr. Bubble(R), Ogilvie(R), Tek(R), Dentax(R), Dorothy Gray(R), Better Off(R) and Tussy(R). At the closing, Lander US and Lander Intangibles initially paid a total cash purchase price of \$59.1 million, including \$2.1 million of costs related to acquisition. The \$57.0 million purchase price paid to Playtex is subject to certain post closing adjustments dependent upon the amount of product inventory delivered to Lander US at the closing. In December 2005, this adjustment was determined to be an approximate \$1.3 million reduction in the purchase price (to bring the total to \$57.8 million, including acquisition costs) which has been reflected as a current receivable from Playtex in the accompanying balance sheet under the caption prepaid expenses and other. In accordance with Statement of Financial

## Edgar Filing: CENUCO INC - Form 10-Q/A

Accounting Standards (SFAS) No. 142, Goodwill and Other Intangibles, the Company has made a preliminary allocation of the total purchase price to the assets acquired based on relative fair value.

The preliminary allocation of Purchase Price is as follows:

Inventory .....	\$ 9,600,000
Property, Plant and Equipment .....	900,000
Brand Names and Product Formulas ..	16,898,477
Customer Relationships .....	30,419,673
	-----
 Total Purchase Price .....	 \$ 57,818,150
	-----

In order to finance the acquisition of the brands from Playtex (\$58.0 million), fund financing fees (\$2.8 million) for Bridge Loan, repay certain existing indebtedness of the Company and its subsidiaries including the Seller Note and the Financing Arrangement referred to below under Long-Term Debt (approximately \$13.8 million in total) and provide working capital for the operations of Lander US (approximately \$5.4 million), on November 16, 2005, Cenuco, Lander US, HACI and Lander Intangibles (collectively, the "Borrowers"), entered into an \$80.0 million Bridge Loan Term Agreement (the "Bridge Loan") with Prencen, LLC ("Prencen") and Highgate House Funds Ltd. ("Highgate"), as lenders, and Prencen, as agent for the lenders.

The Bridge Loan bears interest at an annual rate of 5.5% above the three-month LIBOR rate (set 2 days in advance on November 14, 2005 at 4.34%) set for the first 90 days after the closing date of the Bridge Loan. The interest rate margin over LIBOR shall increase by 5% per annum at the end of that 90-day period to 10.5%. Also at the end of the 90 day period the three-month LIBOR rate will be reset on February 12, 2006 for the next 90 days (February 15 to May 15, 2006). Upon the occurrence and during the continuance of an event of default, the annual rate of interest will increase by 5.5% over the rate of interest otherwise in effect. Interest accrues monthly, in arrears. The Bridge Loan is due and payable on May 15, 2006. In addition, the Borrowers shall immediately prepay the Bridge Loan from the proceeds of the Financing Facility (as described below), as well as the net cash proceeds of any non-ordinary course assets sales and 50% of the amount of any post-closing inventory adjustment in Lander's favor. The borrowings under the Bridge Loan are secured by a first priority lien against all assets of the Borrowers and HREI, and by a pledge of the shares in Cenuco owned by two shareholders.

13

### NOTE 4 -- INVENTORIES

Inventory consists of the following:

	NOVEMBER 26, 2005	FEBRUARY 28, 2005
	-----	-----
Raw materials .....	\$ 3,558,027	\$ 2,900,803
Finished goods .....	13,328,005	5,825,149
	-----	-----
	\$ 16,886,032	\$ 8,725,952
	=====	=====

### NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

## Edgar Filing: CENUCO INC - Form 10-Q/A

Property, plant and equipment consist of the following:

	NOVEMBER 26, 2005	FEBRUARY 28, 2005
	-----	-----
Land .....	\$ 660,000	\$ 660,000
Computer equipment and software ...	1,019,254	890,020
Furniture and fixtures .....	254,690	252,717
Building .....	2,644,864	2,644,864
Machinery and equipment .....	3,593,165	2,961,469
Dies and molds .....	475,969	75,731
Leasehold improvements .....	130,893	118,571
Construction in progress .....	140,678	77,959
	-----	-----
	8,919,513	7,681,331
Less accumulated depreciation and amortization .....	(2,343,377)	(1,663,798)
	-----	-----
	\$ 6,576,136	\$ 6,017,533
	=====	=====

14

Depreciation and amortization expense related to property, plant and equipment totaled \$344,899 and \$970,383, respectively for the thirteen and thirty-nine weeks ended November 26, 2005 and \$223,232 and \$723,475, respectively, for the thirteen and thirty-nine weeks ended November 27, 2004.

As of November 26, 2005 and February 28, 2005, machinery and equipment includes assets under capital leases totaling \$153,559. Accumulated amortization on the capital leases totaled \$35,830 and \$24,314 as of November 26, 2005 and February 28, 2005, respectively. Amortization expense related to capital leases is included in depreciation and amortization expense for the thirteen and thirty-nine weeks ended November 26, 2005 and November 27, 2004.

### NOTE 6 -- LONG-TERM DEBT

On October 10, 2005, Cenuco, (the parent of HACI following the May 2005 merger transaction (see Note 1)), entered into agreements with Prencen and Highgate (both of whom also participate in the Bridge Loan financing facility described in Note 3) for equity and convertible debt financing (the "Financing Facility"), to be used, among other things, as long term financing to repay the Bridge Loan. As part of the closing of the Playtex brands acquisition and the related Bridge Loan facility described in Note 3, the terms of the Financing Facility were amended on November 15, 2005 to include various modifications, included in the description below.

The Financing Facility, as amended, includes the following: (i) proceeds of an aggregate of \$11 million from the sale of shares of a new series of Cenuco participating preferred stock, convertible, subject to certain restrictions, into an aggregate of 3,150,652 shares of Cenuco common stock, along with the issuance of warrants exercisable for a period of 5 years to acquire an aggregate of 394,736 shares of common stock at an exercise price of \$4.37 per share and 550,459 shares of common stock at an exercise price of \$3.92 per share and (ii) proceeds of \$69 million from the issuance of a 5 year secured debenture, convertible into common stock of Cenuco at any time, subject to certain restrictions, at a per share conversion price of 95% of the lowest closing bid price of the common stock for the 45 trading days preceding the date of conversion, bearing interest at 12% per annum, along with warrants (the "Debt

## Edgar Filing: CENUCO INC - Form 10-Q/A

Warrants") exercisable for a period of 5 years to acquire 1,052,631 shares of common stock at an exercise price of \$4.56 per share and 886,877 shares of common stock at an exercise price of \$3.92 per share. The exercise price of the Debt Warrants noted above is subject to a discount to 20% of the then current conversion price in the event certain conditions of default are triggered under the secured debenture. Funding under the Financing Facility will not be available until the completion of various corporate and securities law requirements, including a vote of the Company's shareholders to approve the issuance of the common stock and convertible securities in connection with the Financing Facility. Management believes these requirements will be met and the Financing Facility will be available within the 180 day term of the Bridge Loan.

15

Long-term debt consists of the following:

	NOVEMBER 26, 2005	FEBRUARY 28, 2005
	-----	-----
Revolving line of credit loans ...	\$ 0	\$ 8,198,935
Machinery and equipment loans ....	0	1,039,125
Real estate term loans .....	0	1,981,618
Subordinated notes .....	0	4,500,000
Capital leases .....	43,767	85,158
	-----	-----
	43,767	15,804,836
Less current portion .....	43,767	8,929,540
	-----	-----
	\$ 0	\$ 6,875,296
	=====	=====

In connection with the Acquisitions (occurring in 2003 - see Note 1), HACI/HREI obtained long-term financing commitments (Financing Arrangement) from a financial institution. As indicated in the table above and discussed further in Note 3, all components of the Financing Arrangement were repaid in November 2005 from the proceeds of the Bridge Loan. The Financing Arrangement was comprised of the following (collectively the Loans):

- o Revolving line of credit facility of \$11,000,000 with a three-year term expiring in June 2006. Annual renewals of the facility were available in one-year increments after the initial term. Available borrowings were determined by a borrowing base calculation using eligible receivables and inventories of Lander US and Lander Canada, which were the collateral for this facility. As of February 28, 2005 the unused availability amounted to \$567,995. Interest on outstanding balance was payable monthly. For purposes of classifying the outstanding debt in the February 28, 2005 balance sheets the Company has reflected \$8,198,935 of borrowings under the revolving line of credit facility as a current liability, since it was subject to collection lock-box arrangements and contains a subjective acceleration clause. On November 16, 2005, the outstanding balance was paid in full with the proceeds from the short-term Bridge Loan and this revolving line of credit was terminated.
  
- o Machinery and equipment term loans with initial principal amounts aggregating \$1,467,000 have six-year amortization terms expiring in June 2009. Such loans were subject to

## Edgar Filing: CENUCO INC - Form 10-Q/A

termination upon the expiration of the revolving line of credit and were collateralized by the machinery and equipment of Lander US and Lander Canada. Principal payments aggregating \$20,375 plus interest were payable monthly. On November 16, 2005, the outstanding balance of this loan was paid in full with the proceeds from the short-term Bridge Loan.

16

- o Real estate term loan with initial principal amount of \$2,450,000 has a six-year amortization term expiring in December 2009. Such loan was subject to termination upon the expiration of the revolving line of credit and was collateralized by the Lander US production plant located in Binghamton, New York. Principal payments aggregating \$36,029 plus interest were payable monthly. On November 16, 2005, the outstanding balance of this loan was paid in full with the proceeds from the short-term Bridge Loan.

Interest rates on the Loans was at an annual interest rate of a national bank's prime rate plus 1.25%. HACI/HREI had the option of converting all or a portion of the Loans outstanding to an annual interest rate of the one-, two- or three-month LIBOR rate plus 3.75%. The Loans contained financial and non-financial covenants including a limitation of \$1,250,000 on capital expenditures during any fiscal year and maintaining on a monthly basis a fixed charges coverage ratio of no less than 1.0 to 1.0. The fixed charge ratio was calculated by dividing earnings before interest, depreciation and amortization less any unfunded capital expenditures and improvements by fixed charges. Fixed charges include interest expense, capital lease obligations, principal payments on indebtedness and payments for income tax obligations.

As part of the HACI/HREI Acquisition of the Lander US business, HACI also had long term financing from the seller in the form of a \$4,500,000 subordinated note ("Seller Note") with a three year term expiring in June 2006. The Seller Note was subordinate to the Financing Agreement. Interest is payable quarterly at an annual interest rate of 10%. Annual principal payments of \$1,166,667 were required under this Seller Note; however a provision permitted the Company to defer principal payments if certain financial targets, pursuant to the Financing Arrangement were not achieved by Lander. As a result of the Company not achieving these financial targets in fiscal 2004 and 2005, principal payment due in June 2004 and June 2005 had been deferred until June 2006. Additionally, there was a provision in the Seller Note that permitted the deferral of interest payments in the event of non-compliance with certain covenants contained in the Financings Arrangement. Accordingly, HACI had not paid any interest accrued on the Seller Note from July 1, 2004. Accrued interest on the Seller Note totaled \$519,841 and \$257,773 as of November 16, 2005 and February 28, 2005, respectively.

On March 16, 2005, HACI and the seller entered into Settlement and Release Agreement whereby HACI had the option to pay \$2,000,000, plus interest at 10%, to satisfy the \$4,500,000 principal amount of the Seller Note. In addition, HACI would be required to pay interest accrued on the \$4,500,000 Seller Note from July 1, 2004 through March 16, 2005 and interest on the \$2,000,000 from March 17, 2005 through the date of payment. Such option was available to HACI up to November 30, 2005. In exchange for being given this option, HACI, agreed to release the seller from certain claims against and indemnifications of the seller under the agreement for the purchase of Lander US and Lander Canada. On November 16, 2005, \$2,000,000 plus accrued interest of \$519,201 was paid on the Seller Note. On December 1, 2005, a final interest payment of \$640 was made in full payment of the Seller Note. The payments were made from the proceeds of the



## Edgar Filing: CENUCO INC - Form 10-Q/A

short-term Bridge Loan. As a result of the repayment and full settlement of the Seller Note, a gain of \$2,500,000 was recorded as the full amount of the Seller Note was retired in accordance with Settlement and Release Agreement.

17

The aggregate maturities of long-term debt are as follows:

	NOVEMBER 26, 2005		FEBRUARY 28, 2005
	-----		-----
FY			
2006 ...	\$ 43,767	\$	8,929,540
2007 ...	0		6,875,296
	-----		-----
	\$ 43,767	\$	15,804,836
	=====		=====

### NOTE 7 -- INCOME TAXES

In each period presented the effective income tax rate differs from the statutory rate of 34% primarily due to the inability to recognize tax benefits on current losses.

### NOTE 8 -- COMMITMENTS AND CONTINGENCIES

The Company has various noncancelable operating leases for manufacturing and office facilities. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments for each period are as follows:

	NOVEMBER 26, 2005	NOVEMBER 26, 2005	FEBRUARY 28, 2005	FEBRUARY 28, 2005
	CAPITAL LEASES	OPERATING LEASES	CAPITAL LEASES	OPERATING LEASES
	-----	-----	-----	-----
2006 .....	\$ 12,019	\$ 239,527	\$ 59,944	\$ 762,790
2007 .....	32,633	590,899	31,820	342,136
2008 .....		344,159	0	282,940
2009 .....		213,791	0	207,105
2010 .....		206,438	0	204,428
2011 .....		102,000	0	102,000
	-----	-----	-----	-----
Total minimum lease payments .	\$ 44,652	\$ 1,696,814	\$ 91,764	\$ 1,901,399
		=====		=====
Less amounts representing				
Interest (at rates ranging				
from 5.25% to 8.31%) .....	(885)		(6,606)	
	-----		-----	
Present value of net minimum				
Capital lease payments .....	\$ 43,767		\$ 85,158	
	=====		=====	

18

## Edgar Filing: CENUCO INC - Form 10-Q/A

The Company is subject to certain claims and litigation in the normal course of business. Management believes, after consulting with legal counsel, that the ultimate liability resulting from these matters will not materially affect the consolidated results of operations or financial position of the Company.

### NOTE 9 -- STOCK OPTIONS and WARRANTS

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. The Company accounts for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

The exercise prices of all options granted by the Company equal the market price at the dates of grant. From the date of the Merger to November 26, 2005 no options were issued. If options had been issued, no compensation expense would have been recognized. Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the method of SFAS 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would not have changed.

With respect to vesting, as a result of the Merger on May 20, 2005, all previously issued Cenuco options that were unvested on that date became automatically vested. During the thirteen and thirty-nine weeks ended November 26, 2005, no options were exercised.

During the thirteen and thirty-nine weeks ended November 26, 2005, 35,000 and 111,000 warrants, respectively were exercised at an exercise price of \$1 per share.

19

The following information applies to all warrants outstanding at November 26, 2005:

Range of Prices	Warrants Outstanding		Warrants Exercisable		
	Shares	Weighted - Average Remaining Contractual Life (Years)	Weighted - Average Exercise Price	Shares	Weighted - Average Exercise Price
\$ 1.00 .....	290,500	3.24	\$ 1.00	290,500	1.00
\$ 4.00 .....	105,784	4.84	\$ 4.00	105,784	4.00
\$ 4.50 .....	1,372,760	3.72	\$ 4.50	1,372,760	4.50
\$ 5.00 to					
\$ 6.50 .....	350,000	3.84	\$ 5.21	350,000	5.21
	-----				
	2,119,044				
	=====				

## Edgar Filing: CENUCO INC - Form 10-Q/A

### NOTE 10 - CAPITAL STRUCTURE AND NET LOSS PER COMMON SHARE

#### Capital Structure:

At November 26, 2005, the outstanding share capital of the Company is comprised of: (i) 13,861,556 shares of common stock ("Common Stock"), and (ii) 2,553.7 shares of Series A Junior Participating Preferred Stock (the "Series A Preferred Stock").

The Series A Preferred Stock was issued in connection with the completion of the Merger as described in Note 1 to the consolidated financial statements. The holders of the Series A Preferred Stock are entitled to receive when, as and if declared by the Board of Directors, quarterly cumulative dividends commencing on March 31, 2006 in an amount per share equal to \$0.001. In addition to the dividends payable to the holders of Series A Preferred Stock, the Company shall declare a dividend or distribution on the Series A Preferred Stock equal to any amount declared on the Common Stock. Holders of the Series A Preferred Stock (using the number of common shares into which each share of Series A Preferred Stock is convertible) and the holders of Common Stock vote together as one class on all matters submitted to a vote of stockholders of the Company provided however that the holders of the Series A Preferred Stock are not entitled to any voting rights on any matter relating to the Merger. Upon liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Stock are entitled to liquidation preferences over all other classes of capital stock. The holders of Series A Preferred Stock shall receive an amount equal to \$1,000 per share of the Series A Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions prior to any distribution of holders of any other class of capital stock. If the assets available for distribution are sufficient to permit a full payment of the above amounts then, after such amounts have been fully distributed, holders of the Series A Preferred Stock shall share equally with holder of the Common Stock on a per share basis (using the number of common shares into which each share of Series A Preferred Stock is convertible). Each share of Series A Preferred Stock carries the voting rights on a basis such that the rights of the Series A Preferred Stock as a whole correspond to 65 percent of the aggregate rights of the Series A Preferred Stock and Common Stock outstanding as of the completion of the Merger. Upon the approval of the holders of the Common Stock and an increase in the Company's authorized share capital, each share of Series A Preferred Stock will automatically convert into shares of Common Stock on such a basis that, following conversion, the holders of the Series A Preferred Stock will hold the same proportional rights to general distributions and voting rights that they held immediately prior to such conversion. The Series A Preferred Stock is not redeemable.

20

#### Net loss per share:

The following table shows how the net loss was allocated using the two-class method (see Note 2):

For the thirteen weeks ended		For the thirty-nine weeks ended	
November 26, 2005	November 27, 2004	November 26, 2005	November 27, 2004

Allocation of net loss

Edgar Filing: CENUCO INC - Form 10-Q/A

Basic and Diluted:				
- Common Stock .....	\$ (224,129)	\$ -	\$ (2,703,634)	\$ -
- Series A Preferred .....	-	(586,404)	(1,833,994)	(1,838,575)
	-----	-----	-----	-----
Net loss .....	\$ (224,129)	\$ (586,404)	\$ (4,537,628)	\$ (1,838,575)
	=====	=====	=====	=====

The following table illustrates the weighted average number of Common Stock and Series A Preferred shares outstanding during the period utilized in the calculation of loss per share:

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov 26, 2005	Nov 27, 2004	Nov 26, 2005	Nov 27, 2004
Weighted average number of Common Stock shares - basic and diluted .....	13,833,094	-	13,765,693	-
Weighted average number of Series A Preferred shares - basic and diluted ..	2,554	2,554	2,554	2,554
Basic and diluted net loss per share - common .....	\$ (0.02)	\$ -	\$ (0.20)	\$ -
Basic and diluted net loss per share - Series A Preferred .....	\$ -	\$ (230)	\$ (718)	\$ (720)

21

NOTE 11- SEGMENT AND GEOGRAPHIC INFORMATION

The results related to the Playtex acquisition are reported in HBC Division.

13 WEEKS ENDED NOVEMBER 26, 2005

DIVISION	HBC	WAD	TOTAL
	-----	-----	-----
Revenues .....	\$ 18,362,074	\$ 14,563	\$ 18,376,637
Operating loss .....	(1,788,616)	(510,225)	(2,298,841)
Net income (loss) .....	\$ 277,084	\$ (501,213)	\$ (224,129)

39 WEEKS ENDED NOVEMBER 26, 2005

DIVISION	HBC	WAD	TOTAL
	-----	-----	-----
Revenues .....	\$ 52,536,821	\$ 31,665	\$ 52,568,486
Operating loss .....	(4,847,119)	(1,071,774)	(5,918,893)
Net loss .....	\$ (3,498,840)	\$ (1,038,788)	\$ (4,537,628)
Assets .....	\$ 88,540,001	\$ 39,870,265	\$ 128,410,266

GEOGRAPHIC

LONG-LIVED

Edgar Filing: CENUCO INC - Form 10-Q/A

	REVENUES	ASSETS
	-----	-----
Thirteen weeks ended:		
United States .....	\$ 11,914,833	\$ 91,954,049
Canada .....	4,140,767	656,946
Other foreign countries .....	2,321,037	-
	-----	-----
Total .....	\$ 18,376,637	\$ 92,610,995
	=====	=====
Thirty-nine weeks ended:		
United States .....	\$ 34,079,588	
Canada .....	11,919,269	
Other foreign countries .....	6,569,629	
	-----	
Total .....	\$ 52,568,486	
	=====	

22

NOTE 12 - TRANSACTIONS WITH RELATED PARTIES

The Hermes Group LLP (THGLLP), a certified public accounting firm, provided various professional services and facilities usage to the Company. THGLLP also paid expenses on behalf of the Company. THGLLP invoiced the Company a total of \$287,553 for professional fees, facility usage and reimbursable expenses for the thirty-nine weeks ended November 26, 2005 and \$547,644 for the thirty-nine weeks ended November 27, 2004. At November 26, 2005, the Company owed THGLLP \$13,986. Mr. Mark I. Massad, who owns beneficially 40% of the Registrant's Series A Participating Preferred Stock and who was a Managing Member of HACI (pre-Merger), is a founding Partner and is currently a non-active partner in THGLLP. THGLLP ceased providing facilities to the Company in June 2005.

Zephyr Ventures LLC (ZVLLC) provided consulting services to the Company. Mr. Edward J. Doyle, a member of the Board of Directors of Cenuco (effective May 20, 2005) is a Managing Member of ZVLLC. For the thirty-nine weeks ended November 26, 2005, ZVLLC invoiced the Company for \$19,078. For the thirty-nine weeks ended November 27, 2004, ZVLLC invoiced the Company for \$25,594. Effective May 20, 2005, the date of the Merger, ZVLLC ceased providing consulting services to the Company. The balance due ZVLLC at November 26, 2005 was \$0.

Mr. Kenneth D. Taylor, also a member of the Board of Directors of Cenuco, Inc. (effective May 20, 2005) provided consulting services to the Company. For the thirty-nine weeks ended November 26, 2005, he invoiced the Company \$5,000. For the thirty-nine weeks ended November 27, 2004, he did not invoice the Company. Effective May 20, 2005, the date of the Merger, he ceased providing consulting services to the Company. The balance due at November 26, 2005 was \$0.

The Hermes Group LLC (THGLLC), a limited liability company, provides banking and corporate advisory services to the Company. For the thirty-nine weeks ended November 27, 2005, THGLLC invoiced Lander Co., Inc., a wholly owned subsidiary of the Registrant, for \$237,413, as compensation for the provision of business advisory services. Mr. Mark I. Massad and Mr. Joseph A. Falsetti (who is also a Director and Executive Officer of Registrant), each of whom owns beneficially 40 percent of the Registrant's Series A Participating Preferred Stock, are members of THGLLC. Mr. Joseph A. Falsetti did not receive any benefit from the fees invoiced for business advisory services. As of November 26, 2005, there was a balance due to THGLLC of \$10,000.

In addition the Company paid a success fee of \$1,000,000 to THGLLC in connection with the Registrant's acquisition of certain brands and related assets from

## Edgar Filing: CENUCO INC - Form 10-Q/A

Playtex Products, Inc., (see Note 3).

For the thirty-nine weeks ended November 26, 2005 the Registrant paid guarantee fees of \$400,000 each to Dana Holdings, LLC ("Dana") and MarNan Holdings, LLC 2005 ("MarNan") in connection with a Bridge Loan agreement dated November 15, 2005 between the Registrant, Prencen Lending LLC and Highgate House Funds, Ltd. (see Note 3). One hundred percent of the ownership interests in Dana are owned beneficially by members of the immediate family of Mr. Joseph A. Falsetti. Mr. Mark I. Massad owns beneficially 100 percent of the ownership interests in MarNan. Payment of such fees was approved by the unanimous vote of the Board of Directors.

23

The Company's management believes the charges for the related party services (listed above) and facilities are consistent with those that would be paid to independent third parties.

### NOTE 13 - SUPPLEMENTAL PRO FORMA INFORMATION

#### MERGER

The following discloses the results of operations (excluding discontinued operations) for the current interim period (and corresponding period in the preceding year) as though the Merger had been completed as of March 1, the beginning of the period. The combined results consist of the thirty-nine weeks ended November 26, 2005 and November 27, 2004.

	39 weeks ended November 26 2005	39 weeks ended November 27 2004
Net sales .....	\$ 52,608,523	\$ 52,043,877
Net loss before amortization of intangibles	(5,113,802)	(4,492,850)
Amortization of intangible assets .....	(320,400)	(320,400)
Net loss .....	\$ (5,434,202)	\$ (4,813,250)
Loss per common share - basic and diluted .	\$ (.39)	\$ (.35)
Weighted average shares .....	13,765,693	13,750,556

24

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties, including but not limited to: quarterly fluctuations in results; customer demand for the Company's products; the development of new technology; domestic and international economic conditions; the achievement of lower costs and expenses; the continued availability of financing in the amounts and on the terms required to support the Company's future business; credit concerns in this industry; and other risks detailed from time to time in the Company's other Securities and Exchange Commission filings. Actual results may differ materially from management's expectations. The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect the Company's business and financial performance. Moreover, the

## Edgar Filing: CENUCO INC - Form 10-Q/A

Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while the Company does communicate with securities analysts from time to time, it is against its policy to disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against issuing or confirming financial forecast or projections issued by others. Therefore, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

### EXECUTIVE SUMMARY

On May 20, 2005, Hermes Holding Company, Inc., a newly formed wholly owned subsidiary of Cenuco, Inc., ("Cenuco" or the "Company") merged (the "Merger") with Hermes Acquisition Company I LLC, a limited liability company organized on April 25, 2003 under the laws of the State of Delaware ("HACI"). As a consequence of the Merger, HACI, together with its wholly owned subsidiaries Lander Co., Inc., a Delaware corporation ("Lander US"), Hermes Real Estate I LLC, a New York limited liability company ("HREI"), and Lander Co. Canada Limited, an Ontario corporation ("Lander Canada") and together with Lander US and HREI, became wholly owned subsidiaries of Cenuco. HREI became a wholly owned subsidiary of HACI on March 1, 2005. Prior thereto, HACI and HREI had the same ownership.

25

For accounting purposes, HACI is considered the acquirer in a reverse acquisition transaction and consequently the Merger has been treated as a recapitalization of HACI. Thus, HACI's financial statements are the historical financial statements of the post-Merger entity.

Effective May 20, 2005, Cenuco, Inc consists of two business divisions, (1) Health & Beauty Care (HBC) and (2) Wireless Application Development (WAD).

On November 16, 2005, the HBC division utilizing Lander US and Lander Intangibles Corporation (Lander Intangibles), a newly formed wholly owned subsidiary of HACI, acquired several of the brands of Playtex Products, Inc. ("Playtex") including Baby Magic(R), Binaca(R), Mr. Bubble(R), Ogilvie(R), Tek(R), Dentax(R), Dorothy Gray(R), Better Off(R) and Tussy(R) (the Playtex Acquisition).

### HEALTH AND BEAUTY CARE (HBC)

Lander Co., Inc. (Lander) and its Canadian affiliate, Lander Canada Limited, (Lander Canada) manufacture, market and distribute a leading value brand (Lander(R)) of health and beauty care products. Additionally, through its Canadian facility, Lander produces a series of private label brands for a limited number of large Canadian retail chains. In addition, effective November 16, 2005, several brands acquired from Playtex were added to the brand portfolio. Playtex is one of the country's leading health and beauty care companies. The acquisition of these Playtex brands created commercial, operational and distribution synergies with the Company's existing manufacturing

## Edgar Filing: CENUCO INC - Form 10-Q/A

and distribution infrastructure. Management believes that the Company's existing manufacturing and distribution infrastructure has capacity for increased volume and is capable of integrating the acquired brands into our existing line of product offerings. The Playtex brands are positioned in product categories where Lander already has an established and significant "extreme value" leadership position. Management believes that combining the Playtex and Lander brands will enable us to take advantage of the trend among extreme value retailers to sell premium brand name products, and for traditional food, drug and mass market retailers, to add value brands into their stores.

Prior to the Playtex Acquisition, the Company distributed on an annual basis, more than 100 million units of health and beauty products (primarily liquid fill bath care, baby care, and skin care products) in North America, and another 20 million internationally. Subsequent to the Playtex Acquisition, the Company estimates it will distribute an additional 40 million units annually. This increases total Company annual units to an estimated 160 million on a global basis.

### Facilities

The Company is headquartered in Lawrenceville, NJ, and operates two manufacturing and distribution facilities in Binghamton, NY (owned) and Toronto (leased). Additionally, Lander utilizes two outside public warehouse facilities in Buena Park, CA and in Charlotte, NC. The primary core competencies of both manufacturing facilities are Health and Beauty Care liquid fill and talc powder filling. The two distribution facilities act as remote warehouses and FOB pick up locations. Both manufacturing facilities have warehouse and distribution capability supplemented by the two remote warehouses.

26

Lander's Binghamton facility is a 168,000 sq. ft. facility with 200 employees working 24 hours a day in three shifts, five days a week. The hourly employees are represented by the United Chemical Workers and to the Company's knowledge, labor relations are good. This plant primarily produces Health and Beauty Care products sold in the United States and internationally under the Lander(R) Brand name. Products produced in this plant include, bubble bath, lotions and creams, baby products such as shampoo, baby oil, and baby powder. Additionally, this facility is approved by the FDA (United States Food and Drug Administration) and the New York Board of Pharmacy to manufacture Over-the-Counter (OTC) drugs such as topical analgesics and vapor rubs.

Lander's Canadian facility is a 98,000 sq. ft. facility with 80 employees working 24 hours a day in three shifts, five days a week. The hourly employees are represented by the Teamsters, and to the Company's knowledge, labor relations are good. This plant produces private label Health and Beauty Care products for Canada's largest retail and drug stores as well as Lander(R) Brand products sold in the U.S. Lander Canada also produces and sells products domestically under the Lander(R) Brand. Products produced in this plant include lotions and creams, baby products such as shampoo, baby oil, baby powder, mouthwash, and nail polish remover. Additionally, this facility is approved by Health Canada and FDA to manufacture OTC drugs, including antiseptic mouthwash, topical analgesics and vapor rubs.

Both manufacturing facilities have production capacity capable of absorbing additional production requirements for projected volume increases from additional organic sales as well as additional sales from acquisitions with a modest capital investment. In addition, selected products will continue to be manufactured by third party manufacturers. The Company anticipates operating efficiencies in the areas of freight and distribution, raw material procurement, as well as, labor and overhead absorption, which would make sales derived from



## Edgar Filing: CENUCO INC - Form 10-Q/A

acquisitions extremely accretive.

### Lander Customers

Approximately 65% of the Company's business is conducted in the United States, 23% in Canada and 12% outside North America. The Company's largest customer is Wal-Mart, which comprises approximately 29% of the business conducted in the U.S. and approximately 32% of the Canadian private label business. Other major customers include Dollar Tree, Family Dollar, Kmart, Bargain Wholesale and Shopper's Drug Mart. Subsequent to the Playtex brands acquisition on November 16, 2005, Lander has gained access to several additional customers, among the most significant are Toys R Us and Target. Internationally, the Lander products are distributed to 90 countries, including those located in Latin America, Africa, the Middle East, as well as, Mexico and the Philippines.

### Industry

The business of selling health and beauty aids in personal care categories is highly competitive. These markets include numerous manufacturers, distributors, marketers and retailers that actively compete for consumers' business both in the United States and abroad.

27

The principal competitors of Lander include Alberto-Culver Company, Church & Dwight Co., Inc., Colgate-Palmolive Company, Johnson & Johnson and The Proctor & Gamble Company. All of these competitors are larger and have substantially greater resources than Lander, and may therefore have the ability to spend more aggressively on advertising and marketing and to respond more effectively to changing business and economic conditions than we do. If this were to occur, our sales, operating results and profitability would be adversely affected.

Lander competes on the basis of numerous factors, including brand name recognition (in the value segment), product quality, performance, price and product availability at retail stores. Merchandising and packaging, the timing of new product introductions and line extensions also have a significant impact on customers' buying decisions and, as a result, on Lander's sales. The structure and quality of the sales force and broker network, as well as consumption of Lander's products, affects in-store position, wall display space and inventory levels in retail outlets. If Lander is not able to maintain or improve the inventory levels and in-store positioning of its products in retail stores, Lander's sales and operating results will be adversely affected. Lander's markets also are highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. An increase in the amount of product introductions by Lander's competitors could have a material adverse effect on Lander's sales, operating results and profitability.

### WIRELESS APPLICATION DEVELOPMENT (WAD)

The Wireless Application Development ("WAD") segment is engaged in the wireless application technology business, primarily related to the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. This is also known as remote video monitoring via cellular device. In this wireless segment, the Company provides cellular carriers, Internet Service Providers, resellers, and distributors a host of wireless video streaming products that can generate an increase in subscribers of wireless data services, as well as broadband Internet services.

Our wireless remote video monitoring technologies via cellular device (cellular phone, Pocket PC mobile Edition, Smart Phone, remote wireline computer, and remote cellular connected computer) have been productized to service a variety

## Edgar Filing: CENUCO INC - Form 10-Q/A

of market segments. We have been awarded the General Services Administration contract number GS-03F-0025N by the United States government, allowing the Company to sell its products, technologies, and services to every branch of the United States government, including all military agencies and the Department of Homeland Security.

The technology group's partnerships and affiliates include: Intel Corporation, Microsoft Corporation, Qualcomm, Tyco, and other leading technology organizations. These relationships allow Cenuco access to new emerging technologies provided by these organizations, as well as, co-operative marketing programs, which provides us access to significant resources in the wireless remote monitoring market.

28

We have the ability to license our proprietary core technology to third party organizations. We initiated discussions with a number of leading technology companies regarding direct embedding of the Company's technologies onto existing security systems, DVR's, DSL or cable modems, routers, IP cameras, and other appliance oriented hardware. Additionally, the Company has successfully licensed its technology to a specialty camera manufacturer and extensive testing continues as we upgrade this specialty camera with our proprietary core technology.

Our WAD segment, with its core proprietary (patent-pending) technology, currently addresses one primary market; security and surveillance. This segment offers software solutions but can also bundle hardware that will allow real-time mobile access to mission-critical data and live video from most Internet enabled personal digital assistants (PDA) or cellular phones, from anywhere world-wide. We have already initiated efforts into delivering content over cellular devices using our existing software.

Our wireless video monitoring solutions allows users to view real-time streaming video of security cameras at their home or place of business from anywhere they receive a cellular connection, regardless of the cellular carrier or user's location. Our systems are also delivered with a password protected PC desktop client, which allows for single click access to any remote camera, manage user accounts, and review archival video.

During fiscal 2004, we completed a full patent filing with the United States Patent and Trademark office. The Utility Patent Application entitled "Wireless Security Audio-Video Monitoring", was accepted by the USPTO during June 2004, at which time Cenuco was issued Patent pending number 10/846426. This latest intellectual property filing also reflects the culmination of Cenuco's provisional patent application(s) for viewing live streaming wireless video transmission on cellular devices, filed during Fiscal 2003. Recently we have added additional filings regarding our new peer to peer/cell to cell live video technology.

Cenuco has completed the development of its new commercial security product line that will be sold through Security companies existing sales channels and through 7 nationwide distributors.

Several national and international cellular carriers are currently testing our mobile viewing software. Western Wireless Corporation has recently deployed MobileMonitor(sm) product kits and software through select carrier retail locations across nineteen western states and is now available to Western Wireless subscribers. Cenuco's Product kits and software have already been delivered to the carrier retail locations through Cenuco's distribution partner, CellStar.

## Edgar Filing: CENUCO INC - Form 10-Q/A

Cenuco continues to develop software for Tyco's Research and Development group.

Revenue and expense for the Wireless Application Development division reflects activity from the date of the Merger (May 20, 2005) to November 26, 2005. Prior to the Merger the Wireless Application Development division's financial information and other pertinent information is contained in the 10-Q for the first quarter ended March 31, 2005 filed by Cenuco in May 2005.

29

THIRTEEN WEEKS ENDED NOVEMBER 26, 2005 COMPARED TO THE THIRTEEN WEEKS ENDED NOVEMBER 27, 2004

### GENERAL

The brand portfolio has grown through acquisition of well-recognized brands from a larger consumer products company, which at the time of acquisition were considered "non-core" by their previous owner and did not benefit from the focus of senior level management or strong marketing and sales support. After acquiring a brand, the focus is to increase its sales, market share and distribution in both existing and new channels. This growth will be driven by new marketing and sales strategies, improved packaging and formulations, innovative new products and line extensions.

### REVENUES

Consolidated net revenues for the thirteen weeks ended November 26, 2005 increased \$359,000 (+2.0%) when compared to net revenues for the thirteen weeks ended November 27, 2004. This quarter's volume was favorably impacted by the closing of the Playtex Acquisition, which resulted in an additional \$1,310,000 in revenue this quarter.

US revenues from the core Lander branded products increased during the quarter by \$1,225,000 (+9.7%). Included in this increase are sales of Lander Extreme Value products, which grew by \$650,000 (+6.7%) with 11 of the top accounts achieving growth of \$732,000 (+35%) this quarter vs. the prior year. The growth can be attributed primarily to two factors, (1) Lander's ability to supply while others were experiencing shortages in key products, and (2) anticipation of pricing actions following the increases in petroleum based products. In addition, the higher margin Premium Value products division grew in revenues by \$575,000 (+20%), with a key element in this growth being the addition of Lander essentials Foam Bath and Lander essentials Lotions in over 5,000 locations. Offsetting this US revenue growth from the core Lander branded products, is a reduction of \$1,681,000 attributed to the termination of a prior year's marketing and administrative services agreement for the sale of licensed products and other various declines in revenue totaling approximately \$246,000. This licensing agreement and corresponding revenues terminated with the licensor's bankruptcy filing and cessation of business during the first quarter of the current fiscal year.

Trade sale revenues derived from the Canadian subsidiary were down \$249,000 (-5.7%) this quarter versus the same period last year as a result of lower sales in both the extreme value and private label segments.

### GROSS PROFIT

Consolidated gross profit decreased by \$0.3 million for the thirteen weeks ended November 26, 2005 from \$1.9 million for the thirteen weeks ended November 27, 2004. The Playtex Acquisition resulted in an overall increase in gross profit by \$0.1 million for the quarter after accounting for and in accordance with SFAS No. 142 the Company recorded the inventory acquired at the fair market value,

## Edgar Filing: CENUCO INC - Form 10-Q/A

which negatively impacted gross profit in the quarter by \$0.5 million. This accounting will continue to impact gross profit in the fourth quarter. The impact of a favorable mix of \$0.1 million resulted from higher sales of Lander Essentials premium value products. Inflationary increases resulting from rising oil prices impacted commodity pricing resulting in higher raw material prices for surfactants, mineral oil and bottles negatively impacted the quarter by \$0.3 million. Higher oil prices and the mix in sales between accounts negatively impacted freight by \$0.2 million.

30

### SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses amounted to \$3.9 million for the thirteen weeks ended November 26, 2005 compared to \$2.5 million for the thirteen weeks ended November 27, 2004. The increase of \$1.4 million is due to the selling and administrative costs of Cenuco's WAD division which contributed \$0.5 million of incremental cost this quarter, in conjunction with \$0.4 million one time costs for outside legal, professional and audit fees associated with the filing of the 8-K/A on December 19, 2005. Sales and marketing expenses are \$0.1 million above prior year related to incremental expenses associated with the launch of Lander Premium value business division. The balance of the \$0.4 million increase pertains to incremental salary, benefits and professional fees related to being a public versus private entity.

### OTHER INCOME

Other income of \$2.8 million for the thirteen weeks ended November 26, 2005 represents an increase of \$2.4 over the thirteen weeks ended November 27, 2004. The primary reason for the increase is related to a one-time gain of \$2.5 million on extinguishment of debt.

THIRTY-NINE WEEKS ENDED NOVEMBER 26, 2005 COMPARED TO THE THIRTY-NINE WEEKS ENDED NOVEMBER 27, 2004

### REVENUES

Consolidated year to date net revenues through November 26, 2005 increased by \$540,000 (+1.0%) when compared to year to date net revenues through November 27, 2004. Overall US sales from the Lander products were up \$1,222,000 (+3.2%), driven by a \$4,362,000 (+56%) growth in the strategically important Lander Premium Value business division. Offsetting this growth, however, was a volume decline of \$2,150,000 associated with the loss from the aforementioned termination of the prior year's marketing and administrative services agreement for the sale of licensed products along with a decline of \$3,140,000 in the Company's non-focus extreme value business in the United States. Lander's extreme value products are typically sold at a one-dollar retail price point in dollar stores and other low price venues.

Revenue was favorably impacted by the closing of the Playtex Acquisition, which resulted in an additional \$1,310,000 year to date.

31

Year to date trade sales from the Canadian subsidiary increased \$158,000 (+1.3%) driven mainly by sales increase in the lower margin extreme value segment of the business.

### GROSS PROFIT

## Edgar Filing: CENUCO INC - Form 10-Q/A

Consolidated gross profit declined to \$3.9 million for the thirty-nine weeks ended November 26, 2005 from \$6.2 million for the thirty-nine weeks ended November 27, 2004; a decline of \$2.3 million. The Playtex Acquisition resulted in an overall increase in gross profit by \$0.1 million year to date after accounting for and in accordance with SFAS No. 142 the Company recorded the inventory acquired at fair market value, which negatively impacted gross profit year to date by \$0.5 million. This accounting will continue to impact gross profit in the fourth quarter. This was offset with a favorable mix of \$0.2 million due to higher sales of Lander Essentials premium value products. The company has implemented cost reduction programs and continues to streamline its manufacturing processes however, inflationary increases resulting from rising oil prices impacted commodity pricing, which resulted in higher raw material prices for surfactants, mineral oil, bottles and caps, which combined with incremental freight expense negatively impacted gross profit by \$2.5 million versus prior year. An agreement with a third party manufacturer that was terminated in Q1 produced a \$0.1 million reduction to gross profit as inventories were liquidated at below market pricing.

### SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses amounted to \$9.8 million for the thirty-nine weeks ended November 26, 2005 compared to \$7.5 million for the thirty-nine weeks ended November 27, 2004; an increase of \$2.3 million. Selling and administrative costs of Cenuco's WAD division added \$1.1 million to total cost in the current period. In addition, salary and salary related expenses in conjunction with outside legal, professional and audit fees amounted to \$0.8 million. Furthermore there were one time costs of \$0.4 million for outside legal, professional and audit fees associated with the filing of the 8-K/A on December 19, 2005.

### OTHER INCOME

Other income of \$2.9 million for the thirty-nine weeks ended November 26, 2005 represents an increase of \$2.4 over the thirty-nine weeks ended November 27, 2004. The primary reason for the increase is related to a one-time gain of \$2.5 million pertaining to the early extinguishment of debt.

32

### OTHER FINANCIAL ITEMS

#### LIQUIDITY AND CAPITAL RESOURCES

##### Bridge Loan

The Company entered into a bridge loan of \$80.0 million on November 15, 2005 maturing on May 15, 2006 with interest at LIBOR plus 5.5% for the first 90 days and LIBOR plus 10.5% for the next 90 days. The funds were used to acquire brands from Playtex, pay fees related to brand purchases and bridge loan, retire all other funded debt (including the revolver) and to provide working capital for the Company.

On November 26, 2005, the amount available from the bridge loan was \$4,488,488. On February 28, 2005, the amount available from the retired revolver was \$567,995.

The Company expects to refinance the bridge loan on a long term basis under the terms of a long term facility with Prencen, LLC ("Prencen") and Highgate House Funds Ltd. ("Highgate") for equity and convertible debt financing (the "Financing Facility"). The Financing Facility includes the following: (i) proceeds of an aggregate of \$11 million from the sale of shares of a new series of Cenuco participating preferred stock, convertible, subject to certain

## Edgar Filing: CENUCO INC - Form 10-Q/A

restrictions, into an aggregate of 3,150,652 shares of Cenuco common stock, along with the issuance of warrants exercisable for a period of 5 years to acquire an aggregate of 394,736 shares of common stock at an exercise price of \$4.37 per share and 550,459 shares of common stock at an exercise price of \$3.92 per share and (ii) proceeds of \$69 million from the issuance of a 5 year secured debenture, convertible into common stock of Cenuco at any time, subject to certain restrictions, at a per share conversion price of 95% of the lowest closing bid price of the common stock for the 45 trading days preceding the date of conversion, bearing interest at 12% per annum, along with warrants (the "Debt Warrants") exercisable for a period of 5 years to acquire 1,052,631 shares of common stock at an exercise price of \$4.56 per share and 886,877 shares of common stock at an exercise price of \$3.92 per share. The exercise price of the Debt Warrants noted above is subject to a discount to 20% of the then current conversion price in the event certain conditions of default are triggered under the secured debenture. Funding under the Financing Facility will not be available until the completion of various corporate and securities law requirements, including a vote of the Company's shareholders to approve the issuance of the common stock and convertible securities in connection with the Financing Facility. Management believes these requirements will be met and the Financing Facility will be available within the 180 day term of the Bridge Loan.

### CASH FLOW - THIRTY-NINE WEEKS ENDED NOVEMBER 26, 2005 AND NOVEMBER 27, 2004

Net cash used in operating activities was \$17.1 million and \$0.8 million, respectively for the thirty-nine weeks ended November 26, 2005 and November 27, 2004. For the thirty-nine weeks ended November 26, 2005, the primary factor contributing to negative operating cash flow related to the acquisition of inventory of \$9.6 million from Playtex. Other major contributors consisted of the net loss of \$4.5 million, plus the net effect of non-cash income and expenses of \$0.9 million, the increase in prepaid and other assets primarily due to \$1.3 million purchase price adjustment from Playtex and a decrease in accounts payable of \$1.5 million, less other net changes of \$0.7 million. For the thirty-nine weeks ended November 27, 2004, the major contributors to negative operating cash flow was a net income loss of \$1.8 million, less non-cash expenses of \$1.0 million, an increase in accounts payable of \$3.2 million, offset by increases in trade receivables, inventory and prepaid assets of \$3.2 million.

Net cash used in investing activities amounted to \$42.3 million for the thirty-nine weeks ended November 26, 2005 compared to \$0.5 million for the thirty-nine weeks ended November 27, 2004. For the thirty-nine weeks ended November 26, 2005, the major activities consisted of cash received of \$6.3 million from the reverse acquisition of Cenuco, \$1.2 million for capital equipment purchases and \$47.7 million, primarily for the purchase of intangible assets from Playtex. For the thirty-nine weeks ended November 27, 2004, cash of \$0.5 million was expended for capital equipment.

33

Net cash provided by financing activities for the thirty-nine weeks ended November 26, 2005 amounted to \$63.9 million compared to cash provided by financing activities for the thirty-nine weeks ended November 27, 2004 of \$1.3 million. The majority of the activity relates to the Bridge Loan (see Notes 3 and 6), net of repayments under the Company's line of credit and other long-term debt for the thirty-nine weeks ended November 26, 2005. The major activity for the thirty-nine weeks ended November 27, 2004 relates to net borrowings of \$1.3 million under the Company's line of credit.

AT NOVEMBER 26, 2005 CENUCO HAD CASH AND CASH EQUIVALENTS OF \$4.5 MILLION. MANAGEMENT BELIEVES THIS AND OTHER FINANCING SOURCES AVAILABLE TO THE COMPANY PROVIDE CENUCO WITH SUFFICIENT OPERATING LIQUIDITY.

## Edgar Filing: CENUCO INC - Form 10-Q/A

### Transactions with Related and Certain Other Parties

The Hermes Group LLP (THGLLP), a certified public accounting firm, provided various professional services and facilities usage to the Company. THGLLP also paid expenses on behalf of the Company. THGLLP invoiced the Company a total of \$287,553 for professional fees, facility usage and reimbursable expenses for the thirty-nine weeks ended November 26, 2005 and \$547,644 for the thirty-nine weeks ended November 27, 2004. At November 26, 2005, the Company owed THGLLP \$13,986. Mr. Mark I. Massad, who owns beneficially 40% of the Registrant's Series A Participating Preferred Stock and who was a Managing Member of HACI (pre-Merger), is a founding Partner and is currently a non-active partner in THGLLP. THGLLP ceased providing facilities to the Company in June 2005.

Zephyr Ventures LLC (ZVLLC) provided consulting services to the Company. Mr. Edward J. Doyle, a member of the Board of Directors of Cenuco (effective May 20, 2005) is a Managing Member of ZVLLC. For the thirty-nine weeks ended November 26, 2005, ZVLLC invoiced the Company for \$19,078. For the thirty-nine weeks ended November 27, 2004, ZVLLC invoiced the Company for \$25,594. Effective May 20, 2005, the date of the Merger, ZVLLC ceased providing consulting services to the Company. The balance due ZVLLC at November 26, 2005 was \$0.

Mr. Kenneth D. Taylor, also a member of the Board of Directors of Cenuco, Inc. (effective May 20, 2005) provided consulting services to the Company. For the thirty-nine weeks ended November 26, 2005, he invoiced the Company \$5,000. For the thirty-nine weeks ended November 27, 2004, he did not invoice the Company. Effective May 20, 2005, the date of the Merger, he ceased providing consulting services to the Company. The balance due at November 26, 2005 was \$0.

The Hermes Group LLC (THGLLC), a limited liability company, provides banking and corporate advisory services to the Company. For the thirty-nine weeks ended November 27, 2005, THGLLC invoiced Lander Co., Inc., a wholly owned subsidiary of the Registrant, for \$237,413, as compensation for the provision of business advisory services. Mr. Mark I. Massad and Mr. Joseph A. Falsetti (who is also a Director and Executive Officer of Registrant), each of whom owns beneficially 40 percent of the Registrant's Series A Participating Preferred Stock, are members of THGLLC. Mr. Joseph A. Falsetti did not receive any benefit from the fees invoiced for business advisory services. As of November 26, 2005, there was a balance due to THGLLC of \$10,000.

In addition the Company paid a success fee of \$1,000,000 to THGLLC in connection with the Registrant's acquisition of certain brands and related assets from Playtex Products, Inc., (see Note 3).

For the thirty-nine weeks ended November 26, 2005 the Registrant paid guarantee fees of \$400,000 each to Dana Holdings, LLC ("Dana") and MarNan Holdings, LLC 2005 ("MarNan") in connection with a Bridge Loan agreement dated November 15, 2005 between the Registrant, Prencen Lending LLC and Highgate House Funds, Ltd. (see Note 3). One hundred percent of the ownership interests in Dana are owned beneficially by members of the immediate family of Mr. Joseph A. Falsetti. Mr. Mark I. Massad owns beneficially 100 percent of the ownership interests in MarNan. Payment of such fees was approved by the unanimous vote of the Board of Directors.

The Company's management believes the charges for the related party services (listed above) and facilities are consistent with those that would be paid to independent third parties.

## Edgar Filing: CENUCO INC - Form 10-Q/A

Cenuco's top five customers accounted for approximately 42% and 46%, respectively of consolidated net revenues for the thirteen and thirty-nine weeks ended November 26, 2005. Trade accounts receivable from these customers represented approximately 42% of net consolidated receivables at November 26, 2005. Wal-Mart Stores Inc. accounted for approximately 24% and 30%, respectively of consolidated net revenues for the thirteen and thirty-nine weeks ended November 26, 2005. Dollar Tree Stores Inc accounted for approximately 9% and 8%, respectively of net consolidated revenues for the thirteen and thirty-nine weeks ended November 26, 2005. A significant decrease or interruption in business from the Company's major customers could have a material adverse effect on the Company's business, financial condition and results of operations. The Company could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which the Company sells its products.

Financial instruments that potentially expose the Company to a concentration of credit risk principally consist of accounts receivable. The Company sells product to a large number of customers in many different geographic regions. To minimize credit concentration risk, the Company performs ongoing credit evaluations of its customers' financial condition or uses letters of credit.

Increased competition also results in continued exposure to the Company. If the Company loses market share or encounters more competition relating to its products, the Company may be unable to lower its cost structure quickly enough to offset the lost revenue. To counter these risks, the Company has initiated a cost reduction program, continues to streamline its manufacturing processes and is formulating a strategy to respond to the marketplace. However, no assurances can be given that this strategy will succeed.

The Company depends on third parties to manufacture a portion of the products that we sell. If we are unable to maintain these manufacturing relationships or enter into additional or different arrangements, we may fail to meet customer demand and our sales and profitability may suffer as a result.

Disruption in our main manufacturing/distribution center may prevent us from meeting customer demand and our sales and profitability may suffer as a result.

Efforts to acquire other companies, brands or product lines may divert our managerial resources away from our business operations, and if we complete an acquisition, we may incur or assume additional liabilities or experience integration problems.

We depend on our key personnel and the loss of the service by any of our executive officers or other key employees could harm our business and results of operations.

35

The Company's manufacturing processes utilizes multiple sources for the purchase of raw materials. Although the Company has not to-date experienced a significant difficulty in obtaining these raw materials, no assurance can be given that shortages will not arise in the future. The loss of any one or more of such sources could have a short-term adverse effect on the Company until alternative sources are determined. The Company believes that there are adequate alternative sources of such raw materials and components of sufficient quantity and quality.

### Hedging and Trading Activities

The Company does not engage in any hedging activities, including currency-hedging activities, in connection with its foreign operations and



## Edgar Filing: CENUCO INC - Form 10-Q/A

sales. To date, except for Canada, all of the Company's international sales have been denominated in U.S. dollars.

### Off Balance Sheet Arrangements and Contractual Obligations

The Company's off balance sheet arrangements consist principally of leasing various assets under operating leases. The future estimated payments under these arrangements are summarized below along with the Company's other contractual obligations:

The Company has various noncancelable operating leases for manufacturing and office facilities. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments for each period are as follows:

	NOVEMBER 26, 2005 CAPITAL LEASES -----	NOVEMBER 26, 2005 OPERATING LEASES -----	FEBRUARY 28, 2005 CAPITAL LEASES -----	FEBRUARY 28, 2005 OPERATING LEASES -----
2006 .....	\$ 12,019	\$ 239,527	\$ 59,944	\$ 762,790
2007 .....	32,633	590,899	31,820	342,136
2008 .....	0	344,159	0	282,940
2009 .....	0	213,791	0	207,105
2010 .....	0	206,438	0	204,428
2011 .....	0	102,000	0	102,000
	-----	-----	-----	-----
Total minimum lease payments .	\$ 44,652	\$ 1,696,814	\$ 91,764	\$ 1,901,399
		=====		=====
Less amounts representing				
Interest (at rates ranging				
from 5.25% to 8.31%) .....	(885)		(6,606)	
	-----		-----	
Present value of net minimum				
Capital lease payments .....	\$ 43,767		\$ 85,158	
	=====		=====	

36

The Company is subject to certain claims and litigation in the normal course of business. Management believes, after consulting with legal counsel, that the ultimate liability resulting from these matters will not materially affect the combined results of operations or financial position of the Company.

### Inflation

The Company believes that the relatively moderate rates of inflation in recent years have not had a significant impact on its net revenues or profitability. The Company did experience higher than normal prices on certain raw materials during the period coupled with higher freight costs as freight companies passed on a portion of higher gas and oil costs.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company markets its products throughout the United States and the world. As a result, the Company could be adversely affected by such factors as rising commodity costs and weak global economic conditions. Forecasted purchases during the next thirteen weeks are approximately \$22 million. An average 2% unfavorable

## Edgar Filing: CENUCO INC - Form 10-Q/A

price increase related to the price of oil and other related inflationary raw materials could cost the Company approximately \$440,000.

The Company has also evaluated its exposure to fluctuations in interest rates. \$80.0 million is currently outstanding under the Bridge Loan, with a term of May 15, 2006. An increase of one percent in the interest rates would increase interest expense by approximately \$200,000 per quarter. The Interest rate risks from the Company's other interest-related accounts such as its post-retirement obligations are deemed to not be significant.

The Company has not historically and is not currently using derivative instruments to manage the above risks.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS - WAD DIVISION:

Raymond Anthony Joao is the owner of United States Patents Nos. 6,587,046, 6,542,076 and 6,549,130 (the "Patents") which cover apparatuses and methods for transmitting video information to remote devices and/or over the Internet. In order to facilitate business discussions, Cenuco and Joao entered into a "Confidentiality/Non-Disclosure Agreement, dated November 4, 2004 (the "Agreement"). On February 1, 2005, Joao commenced an action against Cenuco in Federal District Court, Southern District of New York, alleging that Cenuco infringes the Patents (Joao v. Cenuco, Inc., 05 Civ. 1037 (CM) (MDF)). Cenuco timely answered the complaint denying infringement, filed a motion to dismiss complaint based on the Agreement and filed a counterclaim based on the Agreement. Subsequently, the Court denied Cenuco's motion to dismiss the complaint (376 F. Supp. 2d 380) and Cenuco's counterclaim (October 3, 2005, Order and Decision not published at this time). This matter remains open for a trial on the merits.

37

After consulting with counsel, management believes that the Patents are invalid and hence infringement is not possible. Management believes that Joao's action is without merit, and that the chances of Joao prevailing are remote.

There is no other pending material litigation to which Cenuco is a party or to which any of its properties are subject.

#### ITEM 2. EXHIBITS

Exhibit 31.1 - Certification of Joseph A. Falsetti filed herein

Exhibit 31.2 - Certification of Brian J. Geiger filed herein

Exhibit 32 - Certifications Pursuant to Rules 13a-14(b) and 15d-14(b) of the Securities Exchange Act of 1934 filed herein

### SIGNATURES

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

CENUCO, INC.

Edgar Filing: CENUCO INC - Form 10-Q/A

By: Joseph A. Falsetti, President & CEO

/s/ Joseph A. Falsetti

By: Brian J. Geiger, Chief Financial Officer

/s/ Brian J. Geiger

Date: January 23, 2006