

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended February 28, 1998

OR

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

For the transition period from _____ to _____

COMMISSION FILE NO. 0-7570

DELAWARE	CANANDAIGUA BRANDS, INC.	16-0716709
	AND ITS SUBSIDIARIES:	
NEW YORK	BATAVIA WINE CELLARS, INC.	16-1222994
NEW YORK	CANANDAIGUA WINE COMPANY, INC.	16-1462887
NEW YORK	CANANDAIGUA EUROPE LIMITED	16-1195581
NEW YORK	ROBERTS TRADING CORP.	16-0865491
DELAWARE	BARTON INCORPORATED	36-3500366
DELAWARE	BARTON BRANDS, LTD.	36-3185921
MARYLAND	BARTON BEERS, LTD.	36-2855879
CONNECTICUT	BARTON BRANDS OF CALIFORNIA, INC.	06-1048198
GEORGIA	BARTON BRANDS OF GEORGIA, INC.	58-1215938
NEW YORK	BARTON DISTILLERS IMPORT CORP.	13-1794441
DELAWARE	BARTON FINANCIAL CORPORATION	51-0311795
WISCONSIN	STEVENS POINT BEVERAGE CO.	39-0638900
ILLINOIS	MONARCH IMPORT COMPANY	36-3539106
GEORGIA	THE VIKING DISTILLERY, INC.	58-2183528

(State or other jurisdiction of incorporation or organization) (Exact name of registrant as specified in its charter) (I.R.S. Employer Identification No.)

300 WILLOWBROOK OFFICE PARK, FAIRPORT, NEW YORK 14450

(Address of principal executive offices) (Zip Code)

Registrants' telephone number, including area code (716) 393-4130

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
----- None	----- None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Class A Common Stock (Par Value \$.01 Per Share) of Canandaigua Brands, Inc.

(Title of Class)

Class B Common Stock (Par Value \$.01 Per Share) of Canandaigua Brands, Inc.

(Title of Class)

Indicate by check mark whether the Registrants (1) have 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 Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

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

The aggregate market value of the common stock held by non-affiliates of Canandaigua Brands, Inc., as of May 18, 1998, was \$665,089,755.

The number of shares outstanding with respect to each of the classes of common stock of Canandaigua Brands, Inc., as of May 18, 1998, is set forth below (all of the Registrants, other than Canandaigua Brands, Inc., are direct or indirect wholly-owned subsidiaries of Canandaigua Brands, Inc.):

CLASS -----	NUMBER OF SHARES OUTSTANDING -----
Class A Common Stock, Par Value \$.01 Per Share	15,470,066
Class B Common Stock, Par Value \$.01 Per Share	3,296,976

DOCUMENTS INCORPORATED BY REFERENCE

The proxy statement of Canandaigua Brands, Inc. to be issued for the annual meeting of stockholders to be held July 21, 1998, is incorporated by reference in Part III.

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PART I

ITEM 1. BUSINESS

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UNLESS THE CONTEXT OTHERWISE REQUIRES, THE TERM "COMPANY" REFERS TO CANANDAIGUA BRANDS, INC. AND ITS SUBSIDIARIES, ALL REFERENCES TO "NET SALES" REFER TO GROSS REVENUES LESS EXCISE TAXES AND RETURNS AND ALLOWANCES TO CONFORM WITH THE COMPANY'S METHOD OF CLASSIFICATION. ALL REFERENCES TO "FISCAL 1998" AND "FISCAL 1997" SHALL REFER TO THE COMPANY'S FISCAL YEAR ENDED THE LAST DAY OF FEBRUARY OF THE INDICATED YEAR. DURING JANUARY 1996, THE BOARD OF DIRECTORS OF THE COMPANY CHANGED THE COMPANY'S FISCAL YEAR END FROM AUGUST 31 TO THE LAST DAY OF FEBRUARY. ACCORDINGLY, THIS FORM 10-K INCLUDES AND PRESENTS INFORMATION FOR THE COMPANY'S TRANSITION PERIOD FROM SEPTEMBER 1, 1995, TO FEBRUARY 29, 1996 (THE "TRANSITION PERIOD"), AS WELL AS INFORMATION FOR THE PERIOD FROM MARCH 1, 1995, TO FEBRUARY 29, 1996 ("PRO FORMA FISCAL 1996"). REFERENCES TO "FISCAL 1995" SHALL REFER TO THE COMPANY'S FISCAL YEAR ENDED AUGUST 31, 1995.

DURING FISCAL 1998, THE COMPANY CHANGED ITS NAME FROM CANANDAIGUA WINE COMPANY, INC. TO CANANDAIGUA BRANDS, INC. THE NEW NAME BETTER REFLECTS THE SCOPE OF THE COMPANY'S OPERATIONS AS A PRODUCER, MARKETER AND IMPORTER OF BRANDS WITHIN ALL THREE BEVERAGE ALCOHOL PRODUCT CATEGORIES IN WHICH THE COMPANY OPERATES: WINE, BEER AND DISTILLED SPIRITS.

MARKET SHARE AND INDUSTRY DATA DISCLOSED IN THIS REPORT HAVE BEEN OBTAINED FROM THE FOLLOWING INDUSTRY AND GOVERNMENT PUBLICATIONS: THE GOMBERG-FREDRIKSON REPORT; JOBSON'S LIQUOR HANDBOOK; JOBSON'S WINE HANDBOOK; JOBSON'S BEER HANDBOOK; ADAMS MEDIA HANDBOOK ADVANCE; THE U.S. WINE MARKET: IMPACT DATABANK REVIEW AND FORECAST; THE U.S. BEER MARKET: IMPACT DATABANK REVIEW AND FORECAST; BEER MARKETER'S INSIGHTS; BEER INDUSTRY UPDATE; THE BEER INSTITUTE; U.S. DEPARTMENT OF THE TREASURY STATISTICAL RELEASES; AND THE MAXWELL CONSUMER REPORT. THE COMPANY HAS NOT INDEPENDENTLY VERIFIED THIS DATA. REFERENCES TO MARKET SHARE DATA ARE BASED ON UNIT VOLUME.

The Company is a Delaware corporation organized in 1972 as the successor to a business founded in 1945 by Marvin Sands, Chairman of the Board of the Company.

The Company is a leading producer and marketer of branded beverage alcohol products, with over 130 national and regional brands which are distributed by over 850 wholesalers throughout the United States and in selected international markets. The Company's beverage alcohol brands are marketed in three general categories: wine (primarily table wine), beer (primarily imported beer) and distilled spirits. The Company is the second largest supplier of wine, the second largest importer of beer and the fourth largest supplier of distilled spirits in the United States. The Company's principal brands include the following:

WINE: Inglenook, Almaden, Paul Masson, Manischewitz, Taylor, Marcus James, Estate Cellars, Vina Santa Carolina, Dunnewood, Cook's, J. Roget, Great Western, Richards Wild Irish Rose and Cisco

BEER: Corona Extra, Corona Light, St. Pauli Girl, Modelo Especial, Pacifico, Tsingtao, Negra Modelo, Peroni, Double Diamond and Point

DISTILLED SPIRITS: Fleischmann's, Barton, Mr. Boston, Canadian LTD, Ten High, Montezuma, Inver House, Monte Alban and Chi-Chi's Prepared Cocktails

Many of the Company's brands are leaders in their respective categories in the United States, including Corona Extra, the largest selling imported beer

brand; Almaden and Inglenook, the fifth and seventh largest selling table wine brands; Richards Wild Irish Rose, the largest selling dessert wine brand; Cook's champagne, the second largest selling sparkling wine brand; Fleischmann's, the fourth largest blended whiskey and fourth largest domestically bottled gin; Montezuma, the second largest selling tequila brand; and Monte Alban, the largest selling mezcal brand.

The Company has diversified its product portfolio through a series of strategic acquisitions that have resulted in an increase in the Company's net sales from \$176.6 million in fiscal 1991 to \$1,212.8 million for Fiscal 1998. Through these acquisitions, the Company has developed strong market positions in the growing beverage alcohol product categories of varietal table wine (wine named for the grape that comprises the principal component of the wine) and imported beer. During this period, the Company has strengthened its relationship with wholesalers, expanded its distribution and enhanced its production capabilities as well as acquired additional management, operational, marketing and research and development expertise.

In October 1991, the Company acquired Cook's, Cribari, Dunnewood and other brands and related facilities and assets from Guild Wineries & Distilleries. In June 1993, the Company acquired Barton Incorporated ("Barton"), which enabled the Company to diversify into the imported beer and distilled spirits categories (the "Barton Acquisition"). With the Barton Acquisition, the Company acquired distribution rights with respect to the Corona, St. Pauli Girl, and other imported beer brands; the Barton, Ten High, Montezuma, and other distilled spirits brands; and related facilities and assets. In October 1993, the Company acquired the Paul Masson, Taylor California Cellars and other brands and related facilities and assets of Vintners International Company, Inc. ("Vintners") (the "Vintners Acquisition"). In August 1994, the Company acquired the Almaden, Inglenook and other brands, a grape juice concentrate business and related facilities and assets (the "Almaden/Inglenook Product Lines") from Heublein, Inc. (the "Almaden/Inglenook Acquisition"). On September 1, 1995, the Company acquired the Mr. Boston, Canadian LTD, Skol, Old Thompson, Kentucky Tavern, Glenmore and di Amore distilled spirits brands; the rights to the Fleischmann's and Chi-Chi's distilled spirits brands under long-term license agreements; the U.S. rights to the Inver House, Schenley and El Toro distilled spirits brands; and related facilities and assets from United Distillers Glenmore, Inc. and certain of its North American affiliates (collectively, "UDG"); in addition, the transaction included multiyear agreements under which UDG supplies the Company with bulk whiskey and the Company supplies UDG with services including continued packaging of various UDG brands not acquired by the Company (collectively, the "UDG Acquisition").

The Company's growth through acquisitions has substantially expanded its portfolio of brands and has enabled it to become a major participant in additional product categories of the beverage alcohol business. This expansion has positioned the Company to benefit from faster growing categories with over 40% of the Company's net sales generated from the growth categories of imported beer and varietal table wine.

The Company's business strategy is to manage its existing portfolio of brands and businesses in order to maximize profit and return on investment, and reposition its portfolio of brands to benefit from growth trends in the beverage alcohol industry. To achieve the foregoing, the Company intends to: (i) adjust the price/volume relationships of certain brands; (ii) develop new brands and introduce line extensions; (iii) expand geographic distribution; and (iv) acquire businesses that meet its strategic and financial objectives.

INDUSTRY

The beverage alcohol industry in the United States consists of the production, importation, marketing and distribution of wine, beer and distilled spirits products. Over the past five years there has been increasing consolidation at the supplier, wholesaler and, in certain markets, retailer tiers of the beverage alcohol industry. As a result, it has become advantageous for certain suppliers to expand their portfolio of brands through acquisitions and internal development in order to take advantage of economies of scale and to increase their importance to a more limited number of wholesalers and, in certain markets, retailers. During the 1990's, the overall per capita consumption of beverage alcohol products in the United States has declined slightly; however, consumption of table wine, in particular varietal table wine, and imported beer has increased during the period.

The following table sets forth the industry unit volume for shipments of beverage alcohol products in the Company's three principal beverage alcohol product categories in the United States for the five calendar years ended December 31, 1997:

INDUSTRY DATA	1997	1996	1995	1994	1993
Wine (a) (b)	219,970	212,399	197,258	193,052	188,846
Imported Beer (c)	197,355	173,077	157,023	146,096	128,815
Distilled Spirits (b)	137,798	138,536	137,330	139,997	144,162

(a) Includes domestic and imported table, sparkling and dessert wine, wine

- coolers and vermouth
- (b) Units are in thousands of 9-liter case equivalents (2.378 gallons per case)
- (c) Units are in thousands of 2.25 gallon cases

WINE: From 1993 to 1997, shipments of wine in the United States increased at an average compound annual rate of 4%. In 1997, wine shipments increased by 4% when compared to 1996, led by increased shipments of table wine (wine containing 14% or less alcohol by volume). Table wine accounted for 88% of the total United States wine market in 1997 while sparkling wine (includes effervescent wine like champagne and spumante) and dessert wine (wine containing more than 14% alcohol by volume) each accounted for 6%. Over the last five years, sparkling and dessert wine, as a percentage of total wine, have been declining in the United States. The Company believes the improvement in the table wine consumption may be due in part to published reports, over recent years, from a number of sources, citing the health benefits of moderate wine consumption. The Company believes the declines in sparkling and dessert wine consumption in the United States reflect a general shift in consumer preferences and, with respect to sparkling wine, concerns about drinking and driving, as a large part of sparkling wine consumption occurs outside the home at social gatherings and restaurants.

IMPORTED BEER: Shipments of imported beer have increased at an average compound annual rate of 11% from 1993 to 1997. Shipments of Mexican beer in 1997 increased 37% over 1996 as compared to an increase of 14% for the entire imported beer category. Shipments of imported beer as a percentage of the United States beer market, increased to 7.3% in 1997 from 6.5% in 1996. Imported beer, along with microbrews and super-premium priced domestic beer, is generally priced above the leading domestic premium brands.

DISTILLED SPIRITS: Although shipments of distilled spirits in the United States declined at an average compound annual rate of 1% from 1993 to 1997, certain types of distilled spirits, such as rum, tequila and brandy have increased. In 1997, shipments of distilled spirits declined by 0.5% as compared to 1996. The Company believes shipments of certain types of distilled spirits may have been negatively affected by concerns about drinking and driving, and a shift in consumer preference toward lower alcohol or lighter tasting products like imported beer and varietal table wine which have grown substantially during the period from 1993 to 1997.

PRODUCT CATEGORIES

The Company produces, markets and imports beverage alcohol products in three principal product categories: wine (primarily table wine), beer (primarily imported beer) and distilled spirits. The following tables include net sales and unit volume of branded products sold by the Company and the distilled spirits table includes the brands and products acquired in the UDG Acquisition for all periods shown as if they had been owned by the Company for the entire period.

WINE: The Company is the second largest supplier of wine in the United States. The Company participates in the table, dessert and sparkling wine categories. The table below sets forth the net sales (in thousands of dollars) and unit volume (in thousands of 9-liter case equivalents) for all of the branded wine sold by the Company for the periods shown:

<TABLE>
<CAPTION>

	FISCAL 1998		FISCAL 1997		PRO FORMA FISCAL 1996		FISCAL 1995	
	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME
WINE (a)	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	\$ 533,257	34,587	\$ 512,510	33,787	\$ 499,962	35,396	\$ 487,101	34,910

<FN> (a) Includes domestic and imported table, dessert and sparkling wine

</FN>
</TABLE>

Net sales and unit volume of the Company's wine brands increased 4% and 2%, respectively, in Fiscal 1998 compared to Fiscal 1997. These increases can be attributed to increased sales of table wine.

The Company sells over 70 different brands of wine, substantially all of which are marketed in the popularly priced segment (wine that retails at less than \$5.75 per 750 ml. bottle). The Company's principal wine brands include Inglenook, Almaden, Paul Masson, Manischewitz, Taylor, Marcus James, Estate Cellars, Vina Santa Carolina, Dunnewood, Richards Wild Irish Rose, Cisco, Cook's, J. Roget and Great Western.

BEER: The Company is the second largest marketer of imported beer in the United States. The Company distributes five of the top 20 imported beer brands

in the United States: Corona Extra, Corona Light, St. Pauli Girl, Modelo Especial and Pacifico. The Company's other imported beer brands include Negra Modelo from Mexico, Tsingtao from China, Peroni from Italy and Double Diamond from the United Kingdom. The Company also operates the Stevens Point Brewery, a regional brewer located in Wisconsin, which produces Point Special, among other brands. The table below sets forth the net sales (in thousands of dollars) and unit volume (in thousands of 2.25 gallon cases) for the beer sold by the Company for the periods shown:

<TABLE>
<CAPTION>

BEER	FISCAL 1998		FISCAL 1997		PRO FORMA FISCAL 1996		FISCAL 1995	
	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	\$ 376,607	30,016	\$ 298,925	23,848	\$ 239,785	19,344	\$ 216,159	17,471

</TABLE>

Net sales and unit volume of the Company's beer brands have grown since Fiscal 1995, primarily as a result of the increased sales of Corona and the Company's other Mexican beer brands. Net sales and unit volume increased 26.0% in Fiscal 1998 compared to Fiscal 1997. This sales growth helped Corona Extra become the number one imported beer nationwide.

DISTILLED SPIRITS: The Company is the fourth largest supplier of distilled spirits in the United States. The Company produces, bottles, imports and markets a diversified line of quality distilled spirits, and also exports distilled spirits to approximately 20 foreign countries. The Company's principal distilled spirits brands include Fleischmann's, Barton, Mr. Boston, Canadian LTD, Ten High, Montezuma, Inver House and Monte Alban. Substantially all of the Company's spirits unit volume consists of products marketed in the price value segment.

The table below sets forth the net sales (in thousands of dollars) and unit volume (in thousands of 9-liter case equivalents) for the distilled products case goods sold by the Company for the periods shown:

<TABLE>
<CAPTION>

DISTILLED SPIRITS	FISCAL 1998		FISCAL 1997		PRO FORMA FISCAL 1996 (a)		FISCAL 1995 (a)	
	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME	NET SALES	VOLUME
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	\$ 200,276	11,456	\$ 183,843	10,899	\$ 178,803	10,740	\$ 184,536	10,930

<FN>

(a) Net sales and volume include the brands and products acquired in the UDG Acquisition as if they had been owned by the Company for the entire period.

</FN>
</TABLE>

For Fiscal 1998, net sales and unit volume of distilled spirits brands sold by the Company increased 9% and 5%, respectively, compared to Fiscal 1997. Unit volume of vodka, tequila, brandy, bourbon whiskey and Canadian whisky have increased while blended whiskey, Scotch whisky and gin have experienced decreases in unit volume.

From the beginning of Fiscal 1995 to the end of Pro Forma Fiscal 1996, the unit volume of brands acquired in the UDG Acquisition declined in excess of industry rates. The Company believes that these declines resulted from noncompetitive retail pricing and promotional activities. The Company implemented pricing and promotional activities during Fiscal 1997 which eliminated the rate of decline and resulted in a volume increase of 3% in Fiscal 1997 and 4% in Fiscal 1998.

OTHER PRODUCTS AND RELATED SERVICES: As a related part of its wine business, the Company produces grape juice concentrate. Grape juice concentrate is sold to the food and wine industries as a raw material for the production of juice-based products, no-sugar-added foods and beverages. Grape juice concentrate competes with other domestically produced and imported fruit-based concentrates. The Company is one of the leading grape juice concentrate producers in the United States. The Company's other wine related products and services include: bulk wine; grape juice; St. Regis, a leading nonalcoholic line of wine in the United States; cooking wine; and wine for the production of vinegar. The Company also sells distilled spirits in bulk and provides contract production and bottling services for third parties.

MARKETING AND DISTRIBUTION

The Company's products are distributed and sold throughout the United States through over 850 wholesalers, as well as through state alcoholic beverage control agencies. The Company employs a full-time, in-house marketing, sales and customer service organization of approximately 415 people to develop and service its sales to wholesalers and state agencies. The Company's sales force is organized in separate sales divisions: a beer division, a spirits division and a wine division. The Company believes that the organization of its sales force into separate divisions positions it to maintain a high degree of focus on each of its principal product categories.

The Company's marketing strategy places primary emphasis upon promotional programs directed at its broad national distribution network (and to the retailers served by that network). The Company has extensive marketing programs for its brands including promotional programs on both a national basis and regional basis in accordance with the strength of the brands, point-of-sale materials, consumer media advertising, event sponsorship, market research, trade advertising and public relations.

In fiscal 1999, the Company expects to increase its advertising expenditures to put more emphasis on consumer advertising for certain wine brands, including newly introduced brands, and for its imported beer brands, primarily Mexican brands. In addition, promotional spending in fiscal 1999 could increase as it relates to the Company's wine brands to address competitive factors.

TRADEMARKS AND DISTRIBUTION AGREEMENTS

The Company's wine and distilled spirits products are sold under a number of trademarks. Most of these trademarks are owned by the Company.

The Company also produces and sells wine and distilled spirits products under exclusive license or distribution agreements. Significant agreements include: a long-term license agreement with Nabisco Brands Company for a term which expires in 2008 and which automatically renews for successive additional 20 year terms unless canceled by the Company for the Fleischmann's spirits brands; a long-term license agreement with Hiram Walker & Sons, Inc. for a term which expires in 2116 for the Ten High, Crystal Palace, Northern Light and Imperial Spirits brands; and a long-term license agreement with the B. Manischewitz Company for a term which expires in 2042 for the Manischewitz brand of kosher wine. The Company also has other less significant license and distribution agreements related to the sale of wine and distilled spirits with terms of various durations.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements with the suppliers of these products. These agreements have terms that vary and prohibit the Company from importing other beer from the same country. The Company's agreement to distribute Corona and its other Mexican beer brands exclusively throughout 25 states expires in December 2006 and, subject to compliance with certain performance criteria, continued retention of certain Company personnel and other terms under the agreement, will be automatically renewed for additional terms of five years. The Company's agreement for the importation of St. Pauli Girl expires in 2003, subject to compliance with certain performance criteria. The Company's agreement for the exclusive importation of Tsingtao throughout the entire United States expires in December 1999 and, subject to compliance with certain performance criteria and other terms under the agreement, will be automatically renewed until December 2002. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. The Company believes it is currently in compliance with its material imported beer distribution agreements. From time to time, the Company has failed, and may in the future fail, to satisfy certain performance criteria in its distribution agreements. Although there can be no assurance that its beer distribution agreements will be renewed, given the Company's long-term relationships with its suppliers, the Company expects that such agreements will be renewed prior to their expiration and does not believe that these agreements will be terminated.

COMPETITION

The beverage alcohol industry is highly competitive. The Company competes on the basis of quality, price, brand recognition and distribution. The Company's beverage alcohol products compete with other alcoholic and nonalcoholic beverages for consumer purchases, as well as shelf space in retail stores and marketing focus by the Company's wholesalers. The Company competes with numerous multinational producers and distributors of beverage alcohol products, many of which have significantly greater resources than the Company. The Company's principal competitors include E & J Gallo Winery and The Wine Group in the wine category; Heineken USA, Molson Breweries USA, Labatt's USA and Guinness Import Company in the imported beer category; and Jim Beam Brands and Heaven Hill Distilleries, Inc. in the distilled spirits category.

PRODUCTION

The Company's wine is produced from several varieties of wine grapes grown principally in California and New York. The grapes are crushed at the Company's wineries and stored as wine, grape juice or concentrate. Such grape products may

be made into wine for sale under the Company's brand names, sold to other companies for resale under their own labels, or shipped to customers in the form of juice, juice concentrate, unfinished wine, high-proof grape spirits or brandy. Most of the Company's wine is bottled and sold within 18 months after the grape crush. The Company's inventories of wine, grape juice and concentrate are usually at their highest levels in November and December, immediately after the crush of each year's grape harvest, and are substantially reduced prior to the subsequent year's crush.

The bourbon whiskeys, domestic blended whiskeys and light whiskeys marketed by the Company are primarily produced and aged by the Company at its distillery in Bardstown, Kentucky, though it may from time to time supplement its inventories through purchases from other distillers. At its Albany, Georgia, facility, the Company produces all of the neutral grain spirits and whiskeys used by it in the production of vodka, gin and blended whiskey sold by it to customers in the state of Georgia. The Company's requirements of Canadian and Scotch whiskeys, and tequila, mezcal, and the neutral grain spirits used by it in the production of gin and vodka for sale outside of Georgia, and other spirits products, are purchased from various suppliers.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal components in the production of the Company's branded beverage alcohol products are: packaging materials, primarily glass; grapes; and other agricultural products, such as grain.

The Company utilizes glass and PET bottles and other materials, such as caps, corks, capsules, labels and cardboard cartons, in the bottling and packaging of its products. Glass bottle costs are one of the largest components of the Company's cost of product sold. The glass bottle industry is highly concentrated with only a small number of producers. The Company has traditionally obtained, and continues to obtain, its glass requirements from a limited number of producers. The Company has not experienced difficulty in satisfying its requirements with respect to any of the foregoing and considers its sources of supply to be adequate. However, the inability of any of the Company's glass bottle suppliers to satisfy the Company's requirements could adversely affect the Company's operations.

Most of the Company's annual grape requirements are satisfied by purchases from each year's harvest, which normally begins in August and runs through October. Costs per ton for grapes in the fall 1995 and fall 1996 grape harvests escalated dramatically. Costs per ton for grapes in the fall 1997 grape harvest decreased slightly as compared to the fall 1996 grape harvest. The Company believes that it has adequate sources of grape supplies to meet its sales expectations. However, in the event demand for certain wine products exceeds expectations, the Company could experience shortages.

The Company purchases grapes from over 700 independent growers principally in the San Joaquin Valley and Monterey regions of California and in New York State. The Company enters into written purchase agreements with a majority of these growers on a year-to-year basis. The Company currently owns or leases under various arrangements approximately 4,200 acres of vineyards, either fully bearing or under development, in California and New York. This acreage supplies only a small percentage of the Company's total needs. The Company continues to consider the purchase or lease of additional vineyards, and additional land for vineyard plantings, to supplement its grape supply.

The distilled spirits manufactured by the Company require various agricultural products, neutral grain spirits and bulk spirits. The Company fulfills its requirements through purchases from various sources, through contractual arrangements and through purchases on the open market. The Company believes that adequate supplies of the aforementioned products are available at the present time.

GOVERNMENT REGULATION

The Company's operations are subject to extensive federal and state regulation. These regulations cover, among other matters, sales promotion, advertising and public relations, labeling and packaging, changes in officers or directors, ownership or control, distribution methods and relationships, and requirements regarding brand registration and the posting of prices and price changes. All of the Company's facilities are also subject to federal, state and local environmental laws and regulations and the Company is required to obtain permits and licenses to operate its facilities. The Company believes that it is in compliance in all material respects with all presently applicable governmental laws and regulations and that the cost of administration of compliance with such laws and regulations does not have, and is not expected to have, a material adverse impact on the Company's financial condition or results of operations.

EMPLOYEES

The Company had approximately 2,500 full-time employees at the end of

Fiscal 1998 and Fiscal 1997. As of February 28, 1998, approximately 1,030 employees were covered by collective bargaining agreements. Additional workers may be employed by the Company during the grape crushing season. The Company considers its employee relations generally to be good.

ITEM 2. PROPERTIES

The Company currently operates 10 wineries, two distilling plants, one of which includes bottling operations, three bottling plants and a brewery, most of which include warehousing and distribution facilities on the premises. All of these facilities are owned by the Company other than a winery in Escalon, California, a winery in Batavia, New York and a bottling plant in Carson, California, each of which is leased. The Company considers its principal facilities to be the Mission Bell winery in Madera, California; the Canandaigua, New York winery; the Monterey Cellars winery in Gonzales, California; the distilling and bottling facility located in Bardstown, Kentucky; and the bottling facility located in Owensboro, Kentucky.

In New York, the Company operates three wineries located in Canandaigua, Naples and Batavia. The Company currently operates seven winery facilities in California. The Mission Bell winery is a crushing, wine production, bottling and distribution facility and a grape juice concentrate production facility. The Monterey Cellars winery is a crushing, wine production and bottling facility. The other wineries operated in California are located in Escalon, Madera, Fresno, and Ukiah. The Company has exercised its option to buy the Escalon facility and is in the process of transferring the facility's ownership to the Company. The Company currently owns or leases under various arrangements approximately 4,200 acres of vineyards, either fully bearing or under development, in California and New York.

The Company operates five facilities that produce, bottle and store distilled spirits. It owns a distilling, bottling and storage facility in Bardstown, Kentucky, and a distilling and storage facility in Albany, Georgia, and operates bottling plants in Atlanta, Georgia; Owensboro, Kentucky; and Carson, California. The Carson plant is operated under a management contract and a sublease, each of which is scheduled to expire on December 31, 1998. The parties are currently negotiating an extension of this arrangement. The Carson plant receives distilled spirits in bulk from Bardstown and outside vendors, which it bottles and distributes. The Company also performs contract bottling at the Carson plant. The Bardstown facility distills, bottles and warehouses distilled spirits products for the Company's account and on a contractual basis for other participants in the industry. The Owensboro facility bottles and warehouses distilled spirits products for the Company's account and performs contract bottling. The Company's Atlanta, Georgia facility bottles, for itself and on a contract basis, and its Albany, Georgia facility distills, for its own account, vodka, gin and blended whiskeys.

The Company owns a brewery in Stevens Point, Wisconsin, where it produces and bottles Point beer and brews and packages on a contract basis for a variety of brewing and other food and beverage industry members.

The Company maintains its corporate headquarters in offices leased in Fairport, New York, and maintains its wine division headquarters in offices owned in Canandaigua, New York, where it also leases additional office space. The Company also leases office space in Chicago, Illinois, for its Barton headquarters.

The Company believes that all of its facilities are in good condition and working order and have adequate capacity to meet its needs for the foreseeable future.

Most of the Company's real property has been pledged under the terms of collateral security mortgages as security for the payment of outstanding loans under the Company's bank Credit Agreement (as defined in Item 7 of this Report on Form 10-K under "Financial Liquidity and Capital Resources").

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth information with respect to the current executive officers of the Company:

NAME	AGE	OFFICE HELD
Marvin Sands	74	Chairman of the Board
Richard Sands	47	President and Chief Executive Officer
Robert Sands	39	Executive Vice President, General Counsel and Secretary
Daniel C. Barnett	48	President of Canandaigua Wine Company, Inc.
Alexander L. Berk	48	President and Chief Operating Officer of Barton Incorporated
Thomas S. Summer	44	Senior Vice President and Chief Financial Officer

Marvin Sands is the founder of the Company, which is the successor to a business he started in 1945. He has been a director of the Company and its predecessor since 1946 and was Chief Executive Officer until October 1993. Marvin Sands is the father of Richard Sands and Robert Sands.

Richard Sands, Ph.D., has been employed by the Company in various capacities since 1979. He was elected Executive Vice President and a director in 1982, became President and Chief Operating Officer in May 1986 and was elected Chief Executive Officer in October 1993. He is a son of Marvin Sands and the brother of Robert Sands.

Robert Sands was appointed Executive Vice President, General Counsel in October 1993. In January 1995, he was appointed Secretary of the Company. He was elected a director of the Company in January 1990 and served as Vice President, General Counsel since June 1990. From June 1986, until his appointment as Vice President, General Counsel, Mr. Sands was employed by the Company as General Counsel. He is a son of Marvin Sands and the brother of Richard Sands.

Daniel C. Barnett serves as President of Canandaigua Wine Company, Inc., a wholly-owned subsidiary of the Company. In this capacity, Mr. Barnett is in charge of the Company's wine division, and has been since he joined the Company in November 1995. From July 1994 to October 1995, Mr. Barnett served as President and Chief Executive Officer of Koala Springs International, a juice beverage company. Prior to that, from April 1991 to June 1994, Mr. Barnett was Vice President and General Manager of Nestle USA's beverage businesses. From October 1988 to April 1991, he was President of Weyerhaeuser's baby diaper division.

Alexander L. Berk serves as President and Chief Operating Officer of Barton Incorporated, a wholly-owned subsidiary of the Company. In this capacity, Mr. Berk is in charge of the Company's beer and spirits divisions. Mr. Berk became an executive officer of the Company on February 28, 1998, when his position was expanded to include overall responsibility for the beer and spirits divisions. This change occurred when Ellis M. Goodman, who formerly held this responsibility, left Barton to pursue other interests. Mr. Berk has served as President and Chief Operating Officer of Barton since 1990. From 1988 to 1990, Mr. Berk was the President and Chief Executive Officer of Schenley Industries and previously served in various other positions with Schenley since 1971. Mr. Berk served during an interim period of 1974 to 1978 as the Vice President and Director of Marketing for Schieffelin & Co., Inc., an importer of wine and spirits.

Thomas S. Summer joined the Company during April 1997 as Senior Vice President and Chief Financial Officer. From November 1991 to April 1997, Mr. Summer served as Vice President, Treasurer of Cardinal Health, Inc., a large national health care services company, where he was responsible for directing financing strategies and treasury matters. Prior to that, from November 1987 to November 1991, Mr. Summer held several positions in corporate finance and international treasury with PepsiCo, Inc.

Executive officers of the Company hold office until the next Annual Meeting of the Board of Directors and until their successors are chosen and qualify.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

MATTERS

The Company's Class A Common Stock (the "Class A Stock") and Class B Common Stock (the "Class B Stock") trade on the NASDAQ National Stock Market under the symbols "CBRNA" and "CBRNB," respectively. The following tables set forth for the periods indicated the high and low sales prices of the Class A Stock and the Class B Stock as reported on the NASDAQ National Stock Market.

CLASS A STOCK

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Fiscal 1997				
High	\$39 1/2	\$32 1/4	\$27 1/2	\$31 3/4
Low	\$27	\$22 7/8	\$15 3/4	\$25 1/2
Fiscal 1998				
High	\$32 1/4	\$42 3/4	\$53 1/2	\$58 1/2
Low	\$21 7/8	\$29 3/8	\$39 1/2	\$43 3/4

CLASS B STOCK

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Fiscal 1997				
High	\$39 1/2	\$32 1/2	\$29 3/4	\$34
Low	\$27 3/4	\$25 3/8	\$19	\$28 3/4
Fiscal 1998				
High	\$37	\$43	\$54 5/8	\$57 3/4
Low	\$27	\$35 1/2	\$40 3/4	\$45

At May 18, 1998, the number of holders of record of Class A Stock and Class B Stock of the Company were 1,076 and 317, respectively.

The Company's policy is to retain all of its earnings to finance the development and expansion of its business, and the Company has not paid any cash dividends since its initial public offering in 1973. In addition, the Company's current bank Credit Agreement, the Company's indenture for its \$130 million 8 3/4% Senior Subordinated Notes due 2003 and its indenture for its \$65 million 8 3/4% Series C Senior Subordinated Notes due 2003 restrict the payment of cash dividends.

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED FEBRUARY 28,		FOR THE SIX MONTHS ENDED FEBRUARY 29,	FOR THE YEARS ENDED AUGUST 31,		
--	1998	1997	1996	1995	1994	1993
--						
(in thousands, except per share data)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Gross sales	\$ 1,632,357	\$ 1,534,452	\$ 738,415	\$ 1,185,074	\$ 861,059	\$
389,417						
Less-excise taxes	(419,569)	(399,439)	(203,391)	(278,530)	(231,475)	
(83,109)						

Net sales	1,212,788	1,135,013	535,024	906,544	629,584	
306,308						
Cost of product sold	(864,053)	(844,181)	(396,208)	(653,811)	(447,211)	
(214,931)						

Gross profit	348,735	290,832	138,816	252,733	182,373	
91,377						
Selling, general and administrative expenses	(231,680)	(208,991)	(112,411)	(159,196)	(121,388)	
(59,983)						
Nonrecurring restructuring expenses	-	-	(2,404)	(2,238)	(24,005)	-

Operating income	117,055	81,841	24,001	91,299	36,980	
31,394						
Interest expense, net	(32,189)	(34,050)	(17,298)	(24,601)	(18,056)	
(6,126)						

Income before provision for Federal and state income taxes	84,866	47,791	6,703	66,698	18,924	
25,268						
Provision for Federal and state income taxes	(34,795)	(20,116)	(3,381)	(25,678)	(7,191)	

(9,664)						
Net income 15,604	\$ 50,071	\$ 27,675	\$ 3,322	\$ 41,020	\$ 11,733	\$
Earnings per common share:						
Basic 1.32	\$ 2.68	\$ 1.43	\$ 0.17	\$ 2.18	\$ 0.76	\$
Diluted 1.20	\$ 2.62	\$ 1.42	\$ 0.17	\$ 2.16	\$ 0.75	\$
Total assets 355,182	\$ 1,073,159	\$ 1,020,901	\$ 1,054,580	\$ 785,921	\$ 826,562	\$
Long-term debt 108,303	\$ 309,218	\$ 338,884	\$ 327,616	\$ 198,859	\$ 289,122	\$

For the fiscal years ended February 28, 1998 and 1997, and the six months ended February 29, 1996, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Report and Notes to Consolidated Financial Statements as of February 28, 1998, under Item 8 of this Report.

Earnings per common share for all periods presented reflect the Company's adoption of SFAS No. 128 (see Notes 1 and 10 in the Notes to Consolidated Financial Statements as of February 28, 1998, under Item 8 of this Report).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the year ended February 28, 1998 ("Fiscal 1998"), compared to the year ended February 28, 1997 ("Fiscal 1997"), Fiscal 1997 compared to the twelve months ended February 29, 1996 ("Pro Forma Fiscal 1996"), and the six month transition period ended February 29, 1996 ("Transition Period"), compared to the six months ended February 28, 1995 ("February 1995 Six Months"), and (ii) financial liquidity and capital resources for Fiscal 1998. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein.

The Company operates primarily in the beverage alcohol industry. The Company is principally a producer and supplier of wine and an importer and producer of beer and distilled spirits in the United States. The Company's beverage alcohol brands are marketed in three general categories: wine, beer and distilled spirits.

RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997

NET SALES

The following table sets forth the net sales (in thousands of dollars) and unit volume (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Fiscal 1998 and Fiscal 1997.

<TABLE>
<CAPTION>

Fiscal 1998 Compared to Fiscal 1997						
	Net Sales			Unit Volume		
	1998	1997	%Increase/ (Decrease)	1998	1997	%Increase/ (Decrease)
Branded Beverage Alcohol Products:	1998	1997		1998	1997	

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wine	\$ 533,257	\$ 512,510	4.0%	27,793	27,393	1.5%
Beer	376,607	298,925	26.0%	30,016	23,848	25.9%
Spirits	200,276	183,843	8.9%	9,930	9,390	5.8%
Other (a)	102,648	139,735	(26.5%)	N/A	N/A	N/A
	-----	-----	-----	-----	-----	-----
	\$1,212,788	\$1,135,013	6.9%	67,739	60,631	11.7%
	=====	=====	=====	=====	=====	=====

<FN>

- (a) Other consists primarily of nonbranded concentrate sales, contract bottling and other production services and bulk product sales, none of which are sold in case quantities.

</FN>

</TABLE>

Net sales for Fiscal 1998 increased to \$1,212.8 million from \$1,135.0 million for Fiscal 1997, an increase of \$77.8 million, or 6.9%. This increase resulted primarily from (i) \$77.7 million of additional beer sales, largely Mexican beer, (ii) \$22.5 million of additional table wine sales and (iii) \$16.4 million of additional spirits sales. These increases were partially offset by lower sales of grape juice concentrate, bulk wine and other branded wine products. Although table wine sales have increased, the Company has experienced a market share decline of its wine products during Fiscal 1998, a trend which has continued into fiscal 1999. The Company is implementing various programs to address the decline, such as addressing noncompetitive consumer prices of its wine products on a market-by-market basis as well as increasing its promotional activities where appropriate.

GROSS PROFIT

The Company's gross profit increased to \$348.7 million for Fiscal 1998 from \$290.8 million for Fiscal 1997, an increase of \$57.9 million, or 19.9%. As a percent of net sales, gross profit increased to 28.8% for Fiscal 1998 from 25.6% for Fiscal 1997. The dollar increase in gross profit resulted primarily from increased beer sales, higher average selling prices and cost structure improvements related to branded wine sales, higher average selling prices in excess of cost increases related to grape juice concentrate sales and higher average selling prices and increased volume related to branded spirits sales. These increases were partially offset by lower sales volume of grape juice concentrate and bulk wine.

In general, the preferred method of accounting for inventory valuation is the last-in, first-out method ("LIFO") because, in most circumstances, it results in a better matching of costs and revenues. For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, gross profit reflected an addition of \$5.0 million in Fiscal 1998 and a reduction of \$31.4 million in Fiscal 1997 due to the Company's LIFO accounting method.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$231.7 million for Fiscal 1998 from \$209.0 million for Fiscal 1997, an increase of \$22.7 million, or 10.9%. The dollar increase in selling, general and administrative expenses resulted principally from marketing and selling costs associated with the Company's increased branded sales volume, and a one-time charge for separation costs related to an organizational change within the Company. Selling, general and administrative expenses as a percent of net sales increased to 19.1% for Fiscal 1998 as compared to 18.4% for Fiscal 1997. The increase in percent of net sales resulted from the one-time charge for separation costs related to an organizational change within the Company and from a change in the sales mix driven by an increase in net sales of branded products, which have a higher percent of marketing and selling cost relative to sales, partially offset by a decrease in net sales of nonbranded products, which have relatively little associated marketing and selling costs.

INTEREST EXPENSE, NET

Net interest expense decreased to \$32.2 million for Fiscal 1998 from \$34.1 million for Fiscal 1997, a decrease of \$1.9 million, or 5.5%. The decrease was primarily due to a decrease in the Company's average borrowings which was partially offset by an increase in the average interest rate.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Fiscal 1998 decreased to 41.0% from 42.1% for Fiscal 1997 as Fiscal 1997 reflected a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the above factors, net income increased to \$50.1 million for Fiscal 1998 from \$27.7 million for Fiscal 1997, an increase of \$22.4 million, or 80.9%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Fiscal 1998 were \$150.2 million, an increase of \$36.5 million over EBITDA of \$113.7 million for Fiscal 1997. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

FISCAL 1997 COMPARED TO PRO FORMA FISCAL 1996

NET SALES

Net sales for Fiscal 1997 increased to \$1,135.0 million from \$987.1 million for Pro Forma Fiscal 1996, an increase of \$147.9 million, or 15.0%. This increase resulted primarily from (i) \$59.1 million of additional imported beer sales, primarily Mexican beer; (ii) the inclusion of \$49.0 million of net sales of products and services from the UDG Acquisition during the period from March 1, 1996, through August 31, 1996; (iii) \$22.7 million of higher sales of grape juice concentrate; (iv) \$19.4 million of increased net sales of the Company's varietal table wine products (wine named for the grape that comprises the principal component of the wine) resulting from selling price increases implemented between October 1995 and May 1996, as well as additional unit volume; and (v) \$5.8 million of additional sales of spirits brands; partially offset by \$5.2 million of decreased sales of the Company's nonvarietal table wine brands (wine named after the European regions where similar types of wine were originally produced [e.g., burgundy], niche products and proprietary brands) and a decrease of \$2.9 million in sales of other products and services.

For purposes of computing the net sales and unit volume comparative data for the table below and for the remainder of the discussion of net sales, sales of spirits acquired in the UDG Acquisition have been included for the period from March 1, 1995, through August 31, 1995, which was prior to the UDG Acquisition.

The following table sets forth the net sales (in thousands of dollars) and unit volume (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Fiscal 1997 and Pro Forma Fiscal 1996.

<TABLE>
<CAPTION>

Fiscal 1997 Compared to Pro Forma Fiscal 1996						
Branded Beverage Alcohol Products:	Net Sales			Unit Volume		
	1997	1996	%Increase/ (Decrease)	1997	1996	%Increase/ (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wine	\$ 512,510	\$ 499,962	2.5%	27,393	28,232	(3.0%)
Beer	298,925	239,786	24.7%	23,848	19,344	23.3%
Spirits (a)	183,843	178,803	2.8%	9,390	9,223	1.8%
Other (b)	139,735	110,047	27.0%	N/A	N/A	N/A
	\$1,135,013	\$1,028,598	10.3%	60,631	56,799	6.7%

<FN>

- (a) For comparison purposes only, net sales of \$41,514 and unit volume of 2,001 cases of distilled spirits brands acquired in the September 1, 1995, UDG Acquisition have been included in the table for the twelve months ended February 29, 1996. These amounts represent net sales and unit volume of those brands for the period March 1, 1995, through August 31, 1995, which was prior to the UDG Acquisition.
- (b) Other consists primarily of nonbranded concentrate sales, contract bottling and other production services and bulk product sales, none of which are sold in case quantities.

</FN>
</TABLE>

Net sales and unit volume for Fiscal 1997 increased 10.3% and 6.7%, respectively, as compared to Pro Forma Fiscal 1996. The net sales increase resulted from higher imported beer sales, higher sales of grape juice concentrate, price increases on most of the Company's branded wine products, particularly varietal table wine brands, and increased sales of the Company's spirits brands. Unit volume increases were led by substantial growth in the

Company's imported beer brands and increases in its varietal table wine and spirits brands, partially offset by declines in unit volume of nonvarietal table wine, dessert wine and sparkling wine. Excluding the impact of the UDG Acquisition, net sales and unit volume increased by 10.7% and 7.1%, respectively. Net sales of the brands acquired in the UDG Acquisition decreased by 1.2% and unit volume increased by 2.5% in Fiscal 1997. Net sales declines reflected the impact of downward selling price adjustments to bring these brands more in line with the pricing strategy of the rest of the Company's spirits portfolio.

GROSS PROFIT

The Company's gross profit increased to \$290.8 million in Fiscal 1997 from \$264.8 million in Pro Forma Fiscal 1996, an increase of \$26.1 million, or 9.8%. This change in gross profit resulted primarily from (i) \$20.5 million of gross profit from sales generated during the period from March 1, 1996, through August 31, 1996, from the business acquired from UDG; (ii) \$19.0 million of additional gross profit from increased beer sales; and (iii) \$13.4 million of lower gross profit primarily due to increased cost of product sold, particularly higher grape costs in the fall 1996 harvest and additional costs resulting from inefficiencies in the production of wine and grape juice concentrate at the Company's Mission Bell winery in California, partially offset by additional net sales resulting primarily from selling price increases of the Company's branded wine and grape juice concentrate products and a reduction of certain long-term grape contracts to reflect current market prices and the renegotiation of certain unfavorable contracts. The Company's increased production costs stemmed from low bulk wine conversion rates and bottling inefficiencies. The Company also experienced high imported concentrate and bulk freight costs. The Company has instituted a series of steps to address these matters, including a reengineering effort to redesign its work processes, organizational structure and information systems.

Gross profit as a percentage of net sales was 25.6% for Fiscal 1997 as compared to 26.8% in Pro Forma Fiscal 1996. The decline in the gross profit margin was largely due to higher costs, particularly grape costs, of wine and grape juice concentrate products, partially offset by increased selling prices on most of the Company's branded wine and grape juice concentrate products. The Company has experienced significant increases in its cost of grapes in both the 1995 and 1996 harvests. The Company believes that these increases in grape costs were due to an imbalance in supply and demand in the varieties which the Company purchases.

In general, the preferred method of accounting for inventory valuation is the last-in, first-out method ("LIFO") because, in most circumstances, it results in a better matching of costs and revenues. For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, gross profit reflected a reduction of \$31.4 million and \$3.9 million in Fiscal 1997 and Pro Forma Fiscal 1996, respectively, due to the Company's LIFO accounting method.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for Fiscal 1997 were \$209.0 million, an increase of \$17.3 million as compared to Pro Forma Fiscal 1996. Of this amount, \$13.5 million was due primarily to increased personnel and related expenses stemming from the Company's reengineering efforts, including the continued strengthening of the Company's management, and other expenses consistent with the Company's growth; and \$11.3 million related to the UDG Acquisition. These items were offset primarily by one-time costs incurred in advertising and promotion expenses in Pro Forma Fiscal 1996 due to the change in the Company's fiscal year-end.

NONRECURRING RESTRUCTURING EXPENSES

Pro Forma Fiscal 1996 included \$4.0 million of nonrecurring restructuring expenses.

INTEREST EXPENSE, NET

Net interest expense totaled \$34.1 million in Fiscal 1997, an increase of \$5.3 million as compared to Pro Forma Fiscal 1996, primarily due to additional interest expense from the UDG Acquisition financing.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Fiscal 1997 was 42.1% as compared to 40.5% for Pro Forma Fiscal 1996 due to a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the above factors, net income for Fiscal 1997 was \$27.7 million, an increase of \$3.7 million as compared to Pro Forma Fiscal 1996.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Fiscal 1997 were \$113.7 million, an increase of \$22.6 million over EBITDA of \$91.1 million in Pro Forma Fiscal 1996. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

TRANSITION PERIOD COMPARED TO FEBRUARY 1995 SIX MONTHS

NET SALES

Net sales for the Transition Period increased to \$535.0 million from \$454.5 million for the February 1995 Six Months, an increase of \$80.5 million, or 17.7%. In addition to the net sales of \$53.4 million of products and services from the UDG Acquisition, the Company had additional net sales of \$23.6 million from its imported beer brands and \$14.1 million from its varietal wine products, partially offset by lower sales of bulk wine, nonvarietal wine, contract bottling services, grape juice concentrate and dessert wine.

For purposes of computing the net sales and unit volume comparative data below and for the remainder of the discussion of net sales, sales of products acquired in the UDG Acquisition have been included in the Company's results for the entire Transition Period and the entire February 1995 Six Months, which was prior to the UDG Acquisition.

The following table sets forth the net sales (in thousands of dollars) and unit volume (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for the Transition Period and the February 1995 Six Months.

<TABLE>
<CAPTION>

Transition Period Compared to February 1995 Six Months						
Net Sales				Unit Volume		
	Transition	February	%Increase/ (Decrease)	Transition	February	%Increase/ (Decrease)
Branded Beverage Alcohol Products:	Period	1995 Six Months		Period	1995 Six Months	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wine	\$ 268,782	\$ 255,881	5.0%	14,783	14,537	1.7%
Beer	115,757	92,131	25.6%	9,316	7,444	25.1%
Spirits (a)	91,219	96,547	(5.5%)	4,648	4,793	(3.0%)
Other (b)	59,266	60,548	(2.1%)	N/A	N/A	N/A
	\$ 535,024	\$ 505,107	5.9%	28,747	26,774	7.4%

<FN>

- (a) For comparison purposes only, net sales of \$50,622 and unit volume of 2,340 of distilled spirits have been included in the table for the six months ended February 28, 1995, which was prior to the UDG Acquisition.
- (b) Other consists primarily of nonbranded concentrate sales, contract bottling and other production services and bulk product sales, none of which are sold in case quantities.

</FN>
</TABLE>

Net sales and unit volume for the Transition Period increased 5.9% and 7.4%, respectively, as compared to the February 1995 Six Months. These increases were principally due to increased net sales and unit volume of the Company's imported beer brands and varietal table wine brands. Excluding the impact of the UDG Acquisition, net sales and unit volume grew by 6.0% and 9.2%, respectively, in the Transition Period. Unit sales of the brands acquired in the UDG Acquisition were 11.5% lower than in the February 1995 Six Months, accounting for lower overall spirits sales. During the period from 1993 to 1995, the brands acquired in the UDG Acquisition declined in excess of industry rates. The Company believes that these declines resulted from noncompetitive retail pricing and promotional activities.

GROSS PROFIT

Gross profit for the Transition Period was \$138.8 million, an increase of \$12.0 million as compared to gross profit of \$126.8 million for the February 1995 Six Months. This increase in gross profit resulted from \$18.5 million of additional gross profit from sales generated from the business acquired from UDG and \$1.0 million from ongoing operations, which was offset in part by \$7.5

million of (i) overtime, freight and other expenses and restructuring charges related to production and shipping delays associated with the relocation of West Coast bottling operations to the Company's Mission Bell winery, employee bonuses and certain nonrecurring expenses; and (ii) as a result of the change in the Company's fiscal year end, increased cost of product sold due to the different amount and composition of inventory levels at the end of February versus the end of August, the Company's former fiscal year end. The \$1.0 million increase in gross profit from ongoing operations resulted from a \$7.3 million increase in gross profit, primarily due to increased sales and gross margins from the Company's imported beer business, partially offset by \$6.3 million of lower gross profits in the Company's wine and grape juice concentrate businesses, which was due primarily to higher grape costs which were only partially recovered by selling price increases in the Transition Period.

Gross profit as a percentage of net sales declined from 27.9% to 25.9% in the Transition Period. This decline was due primarily to the impact of higher grape and other costs in the Transition Period, partially offset by the higher gross profit sales of brands acquired from UDG and improved gross profit as a percentage of net sales in the Company's imported beer business. The gross profit percentage was positively impacted by the UDG Acquisition, as gross profit as a percentage of net sales on the business acquired from UDG was 34.7%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses totaled \$112.4 million for the Transition Period, an increase of \$32.5 million as compared to the February 1995 Six Months. Exclusive of \$11.1 million of nonrecurring costs including, as a result of the change in the Company's fiscal year end, the recognition of higher than normal advertising and promotion expenses in the Transition Period due to the seasonality of these expenses and employee bonuses and other nonrecurring costs and \$8.3 million related to the UDG Acquisition, selling, general and administrative expenses increased by \$13.1 million, or 16.3%, as compared to the February 1995 Six Months. Advertising and promotion increases of \$6.7 million were related primarily to the Almaden/Inglenook Product Lines which were acquired in August 1994 and which the Company did not advertise or promote at a full level in the first several months after their acquisition. The Company also incurred increased advertising and promotion expenses related to the increased sales of its imported beer. Selling expenses increased by \$5.4 million primarily as a result of the Almaden/Inglenook Product Line acquisitions, with the Transition Period including a full complement of sales and marketing personnel to service the brands that were not in place for the entire period in the February 1995 Six Months. The Transition Period also included additional sales personnel in the Company's spirits and imported beer divisions. Other general and administrative expenses increased by \$1.0 million.

Excluding the nonrecurring costs referred to above and the UDG Acquisition, selling, general and administrative expenses as a percent of net sales increased to 19.3% from 17.6% in the February 1995 Six Months due to the inclusion of a full complement of advertising, promotion and selling expense related to the Almaden/Inglenook Product Lines.

NONRECURRING RESTRUCTURING EXPENSES

The Company incurred net restructuring charges of \$2.4 million in the Transition Period, as compared to restructuring charges of \$0.7 million in the February 1995 Six Months. The restructuring expenses in the Transition Period represent \$3.1 million of incremental, nonrecurring expenses such as overtime and freight expense related to production and shipment delays associated with the Restructuring Plan, offset by a net reduction of \$0.7 million in accrued liabilities associated with the Restructuring Plan to take into account lower than expected expenses for severance and facility holding and closure costs. See the Notes to the Company's Consolidated Financial Statements included herein.

INTEREST EXPENSE, NET

Net interest expense increased \$4.2 million to \$17.3 million in the Transition Period as compared to the February 1995 Six Months. The increase resulted from additional interest expense associated with the borrowings related to the UDG Acquisition, amounting to \$5.1 million, and increased working capital requirements due primarily to higher grape costs and the UDG Acquisition, partially offset by net reductions in the Company's term loans and revolving loans using proceeds of the Company's November 18, 1994, public equity offering.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for the Transition Period increased to 50.4% from 38.5% for the February 1995 Six Months due to a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the above factors, net income for the Transition Period was \$3.3 million, a decrease of \$17.0 million as compared to the February 1995 Six Months.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories. The Company's primary source of liquidity has historically been cash flow from operations, except during the annual fall grape harvests when the Company has relied on short-term borrowings. The annual grape crush normally begins in August and runs through October. The Company generally begins purchasing grapes in August with payments for such grapes beginning to come due in September. The Company's short-term borrowings to support such purchases generally reach their highest levels in November or December. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings. The Company will continue to use its short-term borrowings to support its working capital requirements. The Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

FISCAL 1998 CASH FLOWS

OPERATING ACTIVITIES

Net cash provided by operating activities for Fiscal 1998 was \$28.8 million, which resulted from \$88.7 million in net income adjusted for noncash items, less \$59.9 million representing a net increase in the Company's operating assets in excess of operating liabilities. The net increase in operating assets in excess of operating liabilities resulted primarily from an increase in the Company's inventory levels of \$65.6 million related primarily to higher purchases of grapes from the 1997 grape harvest.

INVESTING ACTIVITIES AND FINANCING ACTIVITIES

Net cash used in investing activities for Fiscal 1998 was \$18.6 million, which resulted from \$31.2 million of capital expenditures, including \$11.5 million for vineyards, partially offset by proceeds from the sale of property, plant and equipment of \$12.6 million.

Net cash used in financing activities for Fiscal 1998 was \$18.9 million, which resulted primarily from the repurchase of \$9.2 million of the Company's Class A Common Stock and principal payments of \$186.4 million of long-term debt, which included \$74.2 million of scheduled and required principal payments and payment of \$112.2 million of principal under the Company's Third Amended and Restated Credit Agreement which was refinanced under the December 19, 1997, Credit Agreement (see Note 6 to the Company's financial statements located in Item 8 of this Report on Form 10-K). This amount was partially offset by proceeds of \$140.0 million of long-term debt as a result of the refinancing and proceeds of \$34.9 million of net revolving loan borrowings under the Company's Credit Agreement.

As of February 28, 1998, under the Credit Agreement, the Company had outstanding term loans of \$140.0 million bearing interest at 6.4%, \$91.9 million of revolving loans bearing interest at 6.0%, undrawn revolving letters of credit of \$3.9 million, and \$89.2 million in revolving loans available to be drawn.

Total debt outstanding as of February 28, 1998, amounted to \$425.2 million, a decrease of \$11.1 million from February 28, 1997. The ratio of total debt to total capitalization decreased to 50.6% as of February 28, 1998, from 54.5% as of February 28, 1997.

During January 1996, the Company's Board of Directors authorized the repurchase of up to \$30.0 million of its Class A Common Stock and Class B Common Stock (the "Repurchase Program"). During May 1997, the Company completed the Repurchase Program with the repurchase of 362,100 shares of its Class A Common Stock at a cost of \$9.2 million. With respect to the Repurchase Program, the Company repurchased a total of 1,149,550 shares of Class A Common Stock at an aggregate cost of \$30.0 million, or at an average cost of \$26.10 per share.

THE COMPANY'S CREDIT AGREEMENT

On December 19, 1997, the Company, its principal operating subsidiaries, and a syndicate of banks (the "Syndicate Banks"), for which The Chase Manhattan Bank acts as Administrative Agent, entered into a new \$325.0 million senior Credit Agreement (the "Credit Agreement"). The proceeds of the Credit Agreement were used to repay all outstanding principal and accrued interest on all loans under the Company's Third Amended and Restated Credit Agreement, as amended. As of February 28, 1998, the Credit Agreement provided for (i) a \$140.0 million

term loan facility due in June 2003 and (ii) a \$185.0 million revolving loan facility, including letters of credit up to a maximum of \$20.0 million, which expires in June 2003. A brief description of the Credit Agreement is contained in Note 6 to the Company's financial statements located in Item 8 of this Report on Form 10-K.

SENIOR SUBORDINATED NOTES

As of February 28, 1998, the Company had outstanding \$195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due December 2003, being the \$130.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due December 2003 issued in December 1993 (the "Original Notes") and the \$65.0 million aggregate principal amount of 8 3/4% Series C Senior Subordinated Notes due December 2003 issued in February 1997 (the "Series C Notes"). The Original Notes and the Series C Notes are redeemable at the option of the Company, in whole or in part, on or after December 15, 1998. A brief description of the Original Notes and the Series C Notes is contained in Note 6 to the Company's financial statements located in Item 8 of this Report on Form 10-K.

CAPITAL EXPENDITURES

During Fiscal 1998, the Company expended \$31.2 million for capital expenditures, including \$11.5 million related to vineyards. The Company plans to spend approximately \$25.0 million for capital expenditures, exclusive of vineyards, in fiscal 1999. In addition, the Company continues to consider the purchase, lease and development of vineyards. See "Business - Sources and Availability of Raw Materials" under Item 1 of this Report. The Company may incur additional expenditures for vineyards if opportunities become available. Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs.

COMMITMENTS

The Company has agreements with suppliers to purchase various spirits and blends of which certain agreements are denominated in British pounds sterling. The future obligations under these agreements, based upon exchange rates at February 28, 1998, aggregate approximately \$23.4 million to \$40.9 million for contracts expiring through December 2005.

At February 28, 1998, the Company had no open currency forward contracts. The Company's use of such contracts is limited to the management of currency rate risks related to purchases denominated in a foreign currency. The Company's strategy is to enter into currency exchange contracts that are matched to specific purchases and not to enter into any speculative contracts.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's results of operations and financial condition have not been significantly affected by inflation and changing prices other than grape costs. The Company has discussed the impact of increases in grape prices in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company has been able, subject to normal competitive conditions, to pass along rising costs through increased selling prices.

ACCOUNTING PRONOUNCEMENTS

In June 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS No. 130) and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS No. 131) were issued. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. The Company is required to adopt SFAS No. 130 for interim periods and fiscal years beginning March 1, 1998. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company believes the effect of adoption will not be significant. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information in interim financial statements. The Company is required to adopt SFAS No. 131 for fiscal years beginning March 1, 1998, and for interim periods beginning March 1, 1999. Restatement of comparative information for earlier years is required in the initial year of adoption and comparative information for interim periods in the initial year of adoption is to be reported for interim periods in the second year of application. The Company has not yet determined the impact of SFAS No. 131 on its financial statements.

YEAR 2000 ISSUE

The Company is currently working to resolve the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems (including both hardware and software

applications). The year 2000 issue is the result of computer logic being written using two digits rather than four to define the applicable year. Any of the Company's logic that processes date-sensitive information may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. Based on preliminary information, costs of addressing potential issues are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. The Company and its customers and vendors have been, and continue to be, active in identifying, assessing and resolving such processing issues. However, if the Company and its customers or vendors are unable to resolve such processing issues in a timely manner, it could result in a material financial risk. Accordingly, the Company plans to devote the necessary resources to resolve all significant year 2000 issues in a timely manner.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY SCHEDULES

FEBRUARY 28, 1998

Page

The following information is presented in this report:

Report of Independent Public Accountants	30
Consolidated Balance Sheets - February 28, 1998 and 1997	31
Consolidated Statements of Income for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996 and February 28, 1995 (unaudited), and for the year ended August 31, 1995	32
Consolidated Statements of Changes in Stockholders' Equity for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996, and for the year ended August 31, 1995	33
Consolidated Statements of Cash Flows for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996 and February 28, 1995 (unaudited), and for the year ended August 31, 1995	34
Notes to Consolidated Financial Statements	35
Selected Financial Data	15
Selected Quarterly Financial Information (unaudited)	51

Schedules I through V are not submitted because they are not applicable or not required under the rules of Regulation S-X.

Individual financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interest and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Canandaigua Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Canandaigua Brands, Inc. (a Delaware corporation) and subsidiaries as of February 28, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended February 28, 1998 and 1997, the six months ended February 29, 1996, and the year ended August 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canandaigua Brands, Inc. and subsidiaries as of February 28, 1998 and 1997, and the results of their operations and their cash flows for the years ended February 28, 1998 and 1997, the six months ended February 29, 1996, and the year ended August 31, 1995, in conformity with generally accepted accounting principles.

Rochester, New York,
April 8, 1998

/s/ Arthur Andersen LLP

<TABLE>

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

<CAPTION>

	February 28, 1998	February 28, 1997
	-----	-----
ASSETS		

<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash investments	\$ 1,232	\$ 10,010
Accounts receivable, net	142,615	142,592
Inventories, net	394,028	326,626
Prepaid expenses and other current assets	26,463	21,787
	-----	-----
Total current assets	564,338	501,015
PROPERTY, PLANT AND EQUIPMENT, net	244,035	249,552
OTHER ASSETS	264,786	270,334
	-----	-----
Total assets	\$ 1,073,159	\$ 1,020,901
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Notes payable	\$ 91,900	\$ 57,000
Current maturities of long-term debt	24,118	40,467
Accounts payable	52,055	55,892
Accrued Federal and state excise taxes	17,498	17,058
Other accrued expenses and liabilities	97,763	76,156
	-----	-----
Total current liabilities	283,334	246,573
	-----	-----
LONG-TERM DEBT, less current maturities	309,218	338,884
	-----	-----
DEFERRED INCOME TAXES	59,237	61,395
	-----	-----
OTHER LIABILITIES	6,206	9,316
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$.01 par value-		
Authorized, 1,000,000 shares;		
Issued, none at February 28, 1998, and		
February 28, 1997	-	-
Class A Common Stock, \$.01 par value-		
Authorized, 60,000,000 shares;		
Issued, 17,604,784 shares at February 28, 1998,		
and 17,462,332 shares at February 28, 1997	176	174
Class B Convertible Common Stock, \$.01 par value-		
Authorized, 20,000,000 shares;		
Issued, 3,956,183 shares at February 28, 1998, and		
February 28, 1997	40	40
Additional paid-in capital	231,687	222,336
Retained earnings	220,346	170,275
	-----	-----
	452,249	392,825
	-----	-----
Less-Treasury stock-		
Class A Common Stock, 2,199,320 shares at		
February 28, 1998, and 1,915,468 shares at		
February 28, 1997, at cost	(34,878)	(25,885)
Class B Convertible Common Stock, 625,725 shares		
at February 28, 1998, and February 28, 1997, at cost	(2,207)	(2,207)
	-----	-----
	(37,085)	(28,092)
	-----	-----

Total stockholders' equity	415,164	364,733
Total liabilities and stockholders' equity	\$ 1,073,159	\$ 1,020,901

<FN>

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

</FN>

</TABLE>

<TABLE>

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

<CAPTION>

the Year Ended	For the Years Ended		For the Six Months Ended		For
	February 28,	February 28,	February 29,	February 28,	
	1998	1997	1996	1995	
August 31, 1995					
				(unaudited)	
				<C>	
GROSS SALES 1,185,074	\$ 1,632,357	\$ 1,534,452	\$ 738,415	\$ 592,305	\$
Less - Excise taxes (278,530)	(419,569)	(399,439)	(203,391)	(137,820)	
Net sales 906,544	1,212,788	1,135,013	535,024	454,485	
COST OF PRODUCT SOLD (653,811)	(864,053)	(844,181)	(396,208)	(327,694)	
Gross profit 252,733	348,735	290,832	138,816	126,791	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (159,196)	(231,680)	(208,991)	(112,411)	(79,925)	
NONRECURRING RESTRUCTURING EXPENSES (2,238)	-	-	(2,404)	(685)	
Operating income 91,299	117,055	81,841	24,001	46,181	
INTEREST EXPENSE, net (24,601)	(32,189)	(34,050)	(17,298)	(13,141)	
Income before provision for Federal and state income taxes 66,698	84,866	47,791	6,703	33,040	
PROVISION FOR FEDERAL AND STATE INCOME TAXES (25,678)	(34,795)	(20,116)	(3,381)	(12,720)	
NET INCOME \$ 41,020	\$ 50,071	\$ 27,675	\$ 3,322	\$ 20,320	

SHARE DATA:

Earnings per common share:

Basic	\$ 2.68	\$ 1.43	\$ 0.17	\$ 1.13
\$ 2.18				

Diluted	\$ 2.62	\$ 1.42	\$ 0.17	\$ 1.12
\$ 2.16				

Weighted average common shares outstanding:

Basic	18,672	19,333	19,611	17,989
18,776				
Diluted	19,105	19,521	19,807	18,179
19,005				

<FN>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

<CAPTION>

Restricted	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Treasury Stock
	Class A	Class B				
Total						
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
BALANCE, August 31, 1994	\$ 138	\$ 40	\$ 113,348	\$ 98,258	\$ (7,591)	\$
- \$ 204,193						
Conversion of 19,093 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-
-						
Issuance of 3,000,000 Class A Common shares	30	-	90,353	-	-	-
- 90,383						
Exercise of 432,067 Class A stock options related to the Vintners Acquisition	5	-	13,013	-	-	-
- 13,018						
Employee stock purchases of 28,641 treasury shares	-	-	546	-	87	-
- 633						
Exercise of 114,075 Class A stock options	1	-	1,324	-	-	-
- 1,325						
Tax benefit on stock options exercised	-	-	1,251	-	-	-
- 1,251						
Tax benefit on disposition of employee stock purchases	-	-	59	-	-	-
- 59						
Net income for fiscal 1995	-	-	-	41,020	-	-
- 41,020						
	-----	-----	-----	-----	-----	-----
BALANCE, August 31, 1995	174	40	219,894	139,278	(7,504)	
- 351,882						
Conversion of 5,000 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-
-						
Exercise of 18,000 Class A stock options	-	-	238	-	-	-
- 238						
Employee stock purchases of 20,869 treasury shares	-	-	593	-	63	-
- 656						
Issuance of 10,000 Class A stock options	-	-	134	-	-	-
- 134						
Tax benefit on stock options exercised	-	-	198	-	-	-
- 198						
Tax benefit on disposition of employee stock purchases	-	-	76	-	-	-
- 76						
Net income for Transition Period	-	-	-	3,322	-	-
- 3,322						
	-----	-----	-----	-----	-----	-----
BALANCE, February 29, 1996	174	40	221,133	142,600	(7,441)	
- 356,506						
Conversion of 35,500 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-
-						
Exercise of 3,750 Class A stock options	-	-	17	-	-	-
- 17						
Employee stock purchases of 37,768 treasury shares	-	-	884	-	114	-
- 998						
Repurchase of 787,450 Class A Common shares	-	-	-	-	(20,765)	-
- (20,765)						
Acceleration of 18,500 Class A stock options	-	-	248	-	-	-
- 248						
Tax benefit on stock options exercised	-	-	27	-	-	-
- 27						
Tax benefit on disposition of employee stock purchases	-	-	27	-	-	-
- 27						
Net income for fiscal 1997	-	-	-	27,675	-	-
- 27,675						
	-----	-----	-----	-----	-----	-----
BALANCE, February 28, 1997	174	40	222,336	170,275	(28,092)	
- 364,733						
Exercise of 117,452 Class A stock options	2	-	1,799	-	-	-

-	1,801					
Employee stock purchases of 78,248 treasury shares	-	-	1,016	-	240	
-	1,256					
Repurchase of 362,100 Class A Common shares	-	-	-	-	(9,233)	
-	(9,233)					
Acceleration of 142,437 Class A stock options	-	-	3,625	-	-	
-	3,625					
Issuance of 25,000 restricted Class A Common shares	-	-	1,144	-	-	
(1,144)	-					
Amortization of unearned restricted stock compensation	-	-	-	-	-	
267	267					
Accelerated amortization of unearned restricted stock compensation	-	-	200	-	-	
877	1,077					
Tax benefit on stock options exercised	-	-	1,382	-	-	
-	1,382					
Tax benefit on disposition of employee stock purchases	-	-	185	-	-	
-	185					
Net income for fiscal 1998	-	-	-	50,071	-	
-	50,071					

BALANCE, February 28, 1998	\$ 176	\$ 40	\$ 231,687	\$220,346	\$(37,085)	\$
-	\$ 415,164					
=====						

<FN>

The accompanying notes to consolidated financial statements are an integral part of these statements.

</FN>

</TABLE>

<TABLE>

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<CAPTION>

the Year Ended	For the Years Ended		For the Six Months Ended		For
-----	-----	-----	-----	-----	-
August 31,	February 28,	February 28,	February 29,	February 28,	
1995	1998	1997	1996	1995	
-----	-----	-----	-----	-----	

<S>

<C>

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 50,071	\$ 27,675	\$ 3,322	\$ 20,320	
\$ 41,020					
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation of property, plant and equipment	23,847	22,359	9,521	9,786	
15,568					
Amortization of intangible assets	9,314	9,480	4,437	2,865	
5,144					
Deferred tax provision	6,319	5,769	1,991	57	
19,232					
Stock-based compensation expense	1,747	275	-	-	
-					
Amortization of discount on long-term debt	352	112	-	-	
-					
(Gain) loss on sale of property, plant and equipment	(3,001)	(3,371)	81	-	
(33)					
Restructuring charges - fixed asset write-down	-	-	275	-	
(2,050)					
Change in operating assets and liabilities:					
Accounts receivable, net	749	3,523	(27,008)	1,586	
7,392					
Inventories, net	(65,644)	16,232	(70,172)	(18,783)	
41,528					
Prepaid expenses and other current assets	(4,354)	3,271	(2,350)	3,079	
(3,884)					
Accounts payable	(3,288)	(431)	(2,362)	(30,068)	
(13,415)					
Accrued Federal and state excise taxes	440	(2,641)	4,066	6,907	
(1,025)					
Other accrued expenses and liabilities	14,655	24,617	(8,564)	(28,175)	

(20,784)	Other assets and liabilities, net	(2,452)	898	1,930	(3,817)
(15,375)					
-----		-----	-----	-----	-----
32,298	Total adjustments	(21,316)	80,093	(88,155)	(56,563)
-----		-----	-----	-----	-----
73,318	Net cash provided by (used in) operating activities	28,755	107,768	(84,833)	(36,243)
-----		-----	-----	-----	-----
	CASH FLOWS FROM INVESTING ACTIVITIES:				
(37,121)	Purchases of property, plant and equipment, net of minor disposals	(31,203)	(31,649)	(16,077)	(11,342)
1,336	Proceeds from sale of property, plant and equipment	12,552	9,174	555	-
(28,300)	Payment of accrued earn-out amounts	-	(13,848)	(11,307)	-
-----		-----	-----	-----	-----
(64,085)	Net cash used in investing activities	(18,651)	(36,323)	(26,829)	(11,342)
-----		-----	-----	-----	-----
	CASH FLOWS FROM FINANCING ACTIVITIES:				
(139,906)	Principal payments of long-term debt	(186,367)	(50,842)	(14,579)	(89,474)
-	Purchases of treasury stock	(9,233)	(20,765)	-	-
-	Payment of issuance costs of long-term debt	(1,214)	(1,550)	-	-
47,000	Proceeds from issuance of long-term debt, net of discount	140,000	61,668	13,220	47,000
(19,000)	Net proceeds from (repayment of) notes payable	34,900	(54,300)	111,300	(12,000)
1,325	Exercise of employee stock options	1,776	17	224	341
633	Proceeds from employee stock purchases	1,256	998	656	-
103,400	Proceeds from equity offering, net	-	-	-	103,313
-----		-----	-----	-----	-----
(6,548)	Net cash (used in) provided by financing activities	(18,882)	(64,774)	110,821	49,180
-----		-----	-----	-----	-----
2,685	NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(8,778)	6,671	(841)	1,595
1,495	CASH AND CASH INVESTMENTS, beginning of period	10,010	3,339	4,180	1,495
-----		-----	-----	-----	-----
\$ 4,180	CASH AND CASH INVESTMENTS, end of period	\$ 1,232	\$ 10,010	\$ 3,339	\$ 3,090
=====		=====	=====	=====	=====
	SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
	Cash paid during the period for:				
\$ 25,082	Interest	\$ 33,394	\$ 32,615	\$ 14,720	\$ 14,068
-----		-----	-----	-----	-----
\$ 11,709	Income taxes	\$ 32,164	\$ 4,411	\$ 3,612	\$ 9,454
-----		-----	-----	-----	-----
	SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
\$ -	Fair value of assets acquired, including cash acquired	\$ -	\$ -	\$ 144,927	\$ -
-	Liabilities assumed	-	-	(3,147)	-
-----		-----	-----	-----	-----
-	Cash paid	-	-	141,780	-
-	Less - Amounts borrowed	-	-	(141,780)	-

	-----	-----	-----	-----
Net cash paid for acquisition	\$ -	\$ -	\$ -	\$ -
\$ -	=====	=====	=====	=====
Goodwill reduction on settlement of disputed final closing net current asset statement for Vintners Acquisition	\$ -	\$ 5,894	\$ -	\$ -
\$ -	=====	=====	=====	=====
Accrued earn-out amounts	\$ -	\$ -	\$ 15,155	\$ -
\$ 10,000	=====	=====	=====	=====

<FN>
The accompanying notes to consolidated financial statements are an integral part of these statements.
</FN>
</TABLE>

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS -
Canandaigua Brands, Inc. (formerly Canandaigua Wine Company, Inc.), and its subsidiaries (the Company) operate primarily in the beverage alcohol industry. The Company is principally a producer and supplier of wine and an importer and producer of beer and distilled spirits in the United States. It maintains a portfolio of over 130 national and regional brands of beverage alcohol which are distributed by over 850 wholesalers throughout the United States and selected international markets. Its beverage alcohol brands are marketed in three general categories: wine, beer and distilled spirits.

YEAR-END CHANGE -
The Company changed its fiscal year end from August 31 to the last day of February. The period from September 1, 1995, through February 29, 1996, is hereinafter referred to as the "Transition Period."

PRINCIPLES OF CONSOLIDATION -
The consolidated financial statements of the Company include the accounts of Canandaigua Brands, Inc., and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

UNAUDITED FINANCIAL STATEMENTS -
The consolidated statements of income and cash flows for the six month period ended February 28, 1995, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to interim reporting and reflect, in the opinion of the Company, all adjustments necessary to present fairly the financial information for Canandaigua Brands, Inc., and its subsidiaries. All such adjustments are of a normal recurring nature.

MANAGEMENT'S USE OF ESTIMATES AND JUDGMENT -
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH INVESTMENTS -
Cash investments consist of highly liquid investments with an original maturity when purchased of three months or less and are stated at cost, which approximates market value. The amounts at February 28, 1998 and 1997, are not significant.

FAIR VALUE OF FINANCIAL INSTRUMENTS -
To meet the reporting requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps, etc.) which take into account the present value of estimated future cash flows. The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

ACCOUNTS RECEIVABLE: The carrying amount approximates fair value due to the short maturity of these instruments, the creditworthiness of the customers and the large number of customers constituting the accounts receivable balance

NOTES PAYABLE: These instruments are variable interest rate bearing notes for which the carrying value approximates the fair value.

LONG-TERM DEBT: The carrying value of the debt facilities with short-term variable interest rates approximates the fair value. The fair value of the fixed rate debt was estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities.

FOREIGN EXCHANGE HEDGING AGREEMENTS: The fair value of currency forward contracts is estimated based on quoted market prices.

INTEREST RATE HEDGING AGREEMENTS: The fair value of interest rate hedging instruments is the estimated amount that the Company would receive or be required to pay to terminate the derivative agreements at year end. The fair value includes consideration of current interest rates and the creditworthiness of the counterparties to the agreements.

LETTERS OF CREDIT: At February 28, 1998 and 1997, the Company had letters of credit outstanding totaling approximately \$3,865,000 and \$8,622,000, respectively, which guarantee payment for certain obligations. The Company recognizes expense on these obligations as incurred and no material losses are anticipated.

The carrying amount and estimated fair value of the Company's financial instruments are summarized as follows:

<TABLE>
<CAPTION>

	February 28, 1998		February 28, 1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Liabilities:				
<S>	<C>	<C>	<C>	<C>
Notes payable	\$ 91,900	\$ 91,900	\$ 57,000	\$ 57,000
Long-term debt, including current portion	\$ 333,336	\$ 340,934	\$ 379,351	\$ 374,628
Derivative Instruments:				
Foreign exchange hedging agreements:				
Currency forward contracts	\$ -	\$ -	\$ 374	\$ 407
Interest rate hedging agreements:				
Interest rate cap agreement	\$ -	\$ -	\$ -	\$ -
Interest rate collar agreement	\$ -	\$ -	\$ -	\$ -

</TABLE>

INTEREST RATE FUTURES AND CURRENCY FORWARD CONTRACTS -

From time to time, the Company enters into interest rate futures and a variety of currency forward contracts in the management of interest rate risk and foreign currency transaction exposure. Unrealized gains and losses on interest rate futures are deferred and recognized as a component of interest expense over the borrowing period. Unrealized gains and losses on currency forward contracts are deferred and recognized as a component of the related transactions in the accompanying financial statements. Discounts or premiums on currency forward contracts are recognized over the life of the contract.

INVENTORIES -

Inventories are valued at the lower of cost (computed in accordance with the last-in, first-out (LIFO) or first-in, first-out (FIFO) methods) or market. The percentage of inventories valued using the LIFO method is 92% and 94% at February 28, 1998 and 1997, respectively. Replacement cost of the inventories determined on a FIFO basis is approximately \$411,424,000 at February 28, 1998, and \$349,006,000 at February 28, 1997.

A substantial portion of barreled whiskey and brandy will not be sold within one year because of the duration of the aging process. All barreled whiskey and brandy are classified as in-process inventories and are included in current assets, in accordance with industry practice. Bulk wine inventories are also included as work in process within current assets, in accordance with the general practices of the wine industry, although a portion of such inventories may be aged for periods greater than one year. Warehousing, insurance, ad valorem taxes and other carrying charges applicable to barreled whiskey and brandy held for aging are included in inventory costs.

Elements of cost include materials, labor and overhead and consist of the following:

February 28, February 28,

	1998	1997
	-----	-----
(in thousands)		
Raw materials and supplies	\$ 14,439	\$ 14,191
Wine and distilled spirits in process	304,037	262,289
Finished case goods	92,948	72,526
	-----	-----
	411,424	349,006
Less - LIFO reserve	(17,396)	(22,380)
	-----	-----
	\$ 394,028	\$ 326,626
	=====	=====

If the FIFO method of inventory valuation had been used, reported net income would have been approximately \$2,941,000, or \$0.15 per share on a diluted basis, lower for the year ended February 28, 1998, and reported net income would have been approximately \$18,163,000, or \$0.93 per share on a diluted basis, higher for the year ended February 28, 1997.

PROPERTY, PLANT AND EQUIPMENT -

Property, plant and equipment is stated at cost. Major additions and betterments are charged to property accounts, while maintenance and repairs are charged to operations as incurred. The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal and resulting gains and losses are included as a component of operating income.

DEPRECIATION -

Depreciation is computed primarily using the straight-line method over the following estimated useful lives:

	Depreciable Life in Years

Buildings and improvements	10 to 33 1/3
Machinery and equipment	3 to 15
Motor vehicles	3 to 7

Amortization of assets capitalized under capital leases is included with depreciation expense. Amortization is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

OTHER ASSETS -

Other assets, which consist of goodwill, distribution rights, trademarks, agency license agreements, deferred financing costs, cash surrender value of officers' life insurance and other amounts, are stated at cost, net of accumulated amortization. Amortization is calculated on a straight-line or effective interest basis over the following estimated useful lives:

	Useful Life in Years

Goodwill	40
Distribution rights	40
Trademarks	40
Agency license agreements	16 to 40
Deferred financing costs	5 to 10

At February 28, 1998, the weighted average remaining useful life of these assets is approximately 36 years. The face value of the officers' life insurance policies totaled \$2,852,000 at both February 28, 1998 and 1997.

LONG-LIVED ASSETS AND INTANGIBLES -

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable on an undiscounted cash flow basis. The statement also requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The Company did not record any asset impairment in fiscal 1998.

ADVERTISING AND PROMOTION COSTS -

The Company generally expenses advertising and promotion costs as incurred, shown or distributed. Prepaid advertising costs at February 28, 1998 and 1997, are not material. Advertising and promotion expense for the years ended February 28, 1998 and 1997, the Transition Period, the six months ended February 28, 1995 (unaudited), and the year ended August 31, 1995, were approximately \$111,685,000, \$101,319,000, \$60,187,000, \$41,658,000 (unaudited) and \$84,246,000, respectively.

INCOME TAXES -

The Company uses the liability method of accounting for income taxes. The liability method accounts for deferred income taxes by applying statutory rates in effect at the balance sheet date to the difference between the financial

reporting and tax basis of assets and liabilities.

ENVIRONMENTAL -

Environmental expenditures that relate to current operations are expensed as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. Liabilities for environmental costs were not material at February 28, 1998 and 1997.

EARNINGS PER COMMON SHARE -

The Company adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS No. 128) effective February 28, 1998. Basic earnings per common share excludes the effect of common stock equivalents and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period for Class A Common Stock and Class B Convertible Common Stock. Diluted earnings per common share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and assumes the conversion of convertible securities, if any, using the "if converted" method. Historical earnings per common share have been restated to conform with the provisions of SFAS No. 128.

OTHER -

Certain fiscal 1997, Transition Period and fiscal 1995 balances have been reclassified to conform with current year presentation.

2. ACQUISITIONS:

UDG ACQUISITION -

On September 1, 1995, the Company through its wholly-owned subsidiary, Barton Incorporated (Barton), acquired certain of the assets of United Distillers Glenmore, Inc., and certain of its North American affiliates (collectively, UDG) (the UDG Acquisition). The acquisition was made pursuant to an Asset Purchase Agreement dated August 29, 1995 (the Purchase Agreement), entered into between Barton and UDG. The acquisition included all of UDG's rights to the Fleischmann's, Skol, Mr. Boston, Canadian LTD, Old Thompson, Kentucky Tavern, Chi-Chi's, Glenmore and di Amore distilled spirits brands; the U.S. rights to Inver House, Schenley and El Toro distilled spirits brands; and related inventories and other assets. The acquisition also included two of UDG's production facilities; one located in Owensboro, Kentucky, and the other located in Albany, Georgia. In addition, pursuant to the Purchase Agreement, the parties entered into multiyear agreements under which Barton (i) purchases various bulk distilled spirits brands from UDG and (ii) provides packaging services for certain of UDG's distilled spirits brands as well as warehousing services.

The aggregate consideration for the acquired brands and other assets consisted of \$141,780,000 in cash and assumption of certain current liabilities. The source of the cash payment made at closing, together with payment of other costs and expenses required by the UDG Acquisition, was financing provided by the Company pursuant to a term loan under the Company's then existing bank credit agreement.

The UDG Acquisition was accounted for using the purchase method; accordingly, the UDG assets were recorded at fair market value at the date of acquisition. The excess of the purchase price over the estimated fair market value of the net assets acquired (goodwill), \$86,348,000, is being amortized on a straight-line basis over 40 years. The results of operations of the UDG Acquisition have been included in the Consolidated Statements of Income since the date of acquisition.

3. PROPERTY, PLANT AND EQUIPMENT:

The major components of property, plant and equipment are as follows:

	February 28, 1998	February 28, 1997
(in thousands)		
Land	\$ 15,103	\$ 16,961
Buildings and improvements	74,706	76,379
Machinery and equipment	244,204	243,274
Motor vehicles	5,316	5,355
Construction in progress	17,485	13,999
	-----	-----
	356,814	355,968
Less - Accumulated depreciation	(112,779)	(106,416)
	-----	-----
	\$ 244,035	\$ 249,552
	=====	=====

4. OTHER ASSETS:

The major components of other assets are as follows:

	February 28, 1998	February 28, 1997
	-----	-----
(in thousands)		
Goodwill	\$ 150,595	\$ 150,595
Distribution rights, agency license agreements and trademarks	119,346	119,316
Other	23,686	22,936
	-----	-----
	293,627	292,847
Less - Accumulated amortization	(28,841)	(22,513)
	-----	-----
	\$ 264,786	\$ 270,334
	=====	=====

5. OTHER ACCRUED EXPENSES AND LIABILITIES:

The major components of other accrued expenses and liabilities are as follows:

	February 28, 1998	February 28, 1997
	-----	-----
(in thousands)		
Accrued salaries and commissions	\$ 23,704	\$ 12,109
Other	74,059	64,047
	-----	-----
	\$ 97,763	\$ 76,156
	=====	=====

6. BORROWINGS:

Borrowings consist of the following:

<TABLE>
<CAPTION>

28, 1997	February 28, 1998			February
-----	-----	-----	-----	-----
	Current	Long-term	Total	
Total	-----	-----	-----	-----

(in thousands)				
Notes Payable:				
- -----				
<S>	<C>	<C>	<C>	<C>
Senior Credit Facility:				
Revolving Credit Loans	\$ 91,900	\$ -	\$ 91,900	\$
57,000	=====	=====	=====	
=====				
Long-term Debt:				
- -----				
Senior Credit Facility:				
Term Loan, variable rate, aggregate proceeds of \$140,000, due in installments through June 2003	\$ 24,000	\$ 116,000	\$ 140,000	\$
185,900				
Senior Subordinated Notes:				
8.75% redeemable after December 15, 1998, due 2003	-	130,000	130,000	
130,000				
8.75% Series C redeemable after December 15, 1998, due 2003 (less unamortized discount of \$2,868 - effective rate 9.76%)	-	62,132	62,132	
61,780				
Capitalized Lease Agreements:				
Capitalized facility lease bearing interest at 9%, due in monthly installments through fiscal 1998	-	-	-	
348				
Industrial Development Agencies:				

7.50% 1980 issue, original proceeds \$2,370, due in annual installments of \$119 through fiscal 2000	118	119	237	
356				
Other Long-term Debt:				
Loans payable bearing interest at 5%, secured by cash surrender value of officers' life insurance policies	-	967	967	
967				
-----	-----	-----	-----	-----
	\$ 24,118	\$ 309,218	\$ 333,336	\$
379,351	=====	=====	=====	
=====				

SENIOR CREDIT FACILITY -

On December 19, 1997, the Company and a syndicate of banks (the Syndicate Banks) entered into a new \$325,000,000 senior Credit Agreement (the Credit Agreement). The proceeds of the Credit Agreement were used to repay all outstanding principal and accrued interest on all loans under the Company's Third Amended and Restated Credit Agreement, as amended. As compared to the previous bank credit agreement, the Credit Agreement includes, among other things, lower interest rates, lower quarterly loan amortization and greater flexibility with respect to effecting acquisitions, incurring indebtedness and repurchasing the Company's capital stock. The Credit Agreement provides for a \$140,000,000 term loan facility due in June 2003 and a \$185,000,000 revolving loan facility, including letters of credit up to a maximum of \$20,000,000, which expires in June 2003. The rate of interest payable, at the Company's option, is a function of the London interbank offered rate (LIBOR) plus a margin, federal funds rate plus a margin, or the prime rate. The margin is adjustable based upon the Company's Debt Ratio (as defined in the Credit Agreement). The Credit Agreement also provides for certain mandatory term loan prepayments.

The term loan facility requires quarterly repayments of \$6,000,000 beginning March 1998 through December 2002, and payments of \$10,000,000 in March 2003 and June 2003. At February 28, 1998, the margin on the term loan facility borrowings was 0.75% and may be decreased by up to 0.35% and increased by up to 0.5% depending on the Company's Debt Ratio.

The revolving loan facility is utilized to finance working capital requirements. The Credit Agreement requires that the Company reduce the outstanding balance of the revolving loan facility to less than \$60,000,000 for thirty consecutive days during the six months ending each August 31. The margin on the revolving loan facility was 0.5% at February 28, 1998, and may be decreased by up to 0.25% and increased by up to 0.4% depending on the Company's Debt Ratio. In addition, the Company pays a facility fee on the total revolving loan facility. At February 28, 1998, the facility fee was 0.25% and may be reduced or increased by 0.1% subject to the Company's Debt Ratio.

Each of the Company's principal operating subsidiaries has guaranteed, jointly and severally, the Company's obligations under the Credit Agreement. The Syndicate Banks have been given security interests in substantially all of the assets of the Company including mortgage liens on certain real property. The Company is subject to customary secured lending covenants including those restricting additional liens, the incurrence of additional indebtedness, the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments. The primary financial covenants require the maintenance of a Debt Ratio, a senior debt coverage ratio, a fixed charge ratio and an interest coverage ratio. Among the most restrictive covenants contained in the Credit Agreement is the requirement to maintain a fixed charge ratio of not less than 1.0 at the last day of each fiscal quarter for the most recent four quarters.

The Company had average outstanding Revolving Credit Loans of approximately \$59,892,000 and \$88,825,000 for the years ended February 28, 1998 and 1997, respectively. Amounts available to be drawn down under the Revolving Credit Loans were \$89,235,000 and \$119,378,000 at February 28, 1998 and 1997, respectively. The average interest rate on the Revolving Credit Loans was 6.57%, 6.58%, 6.76% and 7.16%, for fiscal 1998 and 1997, the Transition Period and for fiscal 1995, respectively. Facility fees on the new Credit Agreement are due based upon the total revolving loan facility, whereas commitment fees under the prior agreement were based upon the unused portion of the revolving loan facility. These fees are based upon the Company's Debt Ratio and can range from 0.15% to 0.35%. At February 28, 1998, the facility fee percentage was 0.25%. The commitment fee percentage at February 28, 1997, was 0.325%.

SENIOR SUBORDINATED NOTES -

On December 27, 1993, the Company issued \$130,000,000 aggregate principal amount of 8.75% Senior Subordinated Notes due in December 2003 (the Notes). Interest on the Notes is payable semiannually on June 15 and December 15 of each year. The Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the Credit Agreement. The Notes are

guaranteed, on a senior subordinated basis, by all of the Company's significant operating subsidiaries.

The Trust Indenture relating to the Notes contains certain covenants, including, but not limited to, (i) limitation on indebtedness; (ii) limitation on restricted payments; (iii) limitation on transactions with affiliates; (iv) limitation on senior subordinated indebtedness; (v) limitation on liens; (vi) limitation on sale of assets; (vii) limitation on issuance of guarantees of and pledges for indebtedness; (viii) restriction on transfer of assets; (ix) limitation on subsidiary capital stock; (x) limitation on the creation of any restriction on the ability of the Company's subsidiaries to make distributions and other payments; and (xi) restrictions on mergers, consolidations and the transfer of all or substantially all of the assets of the Company to another person. The limitation on indebtedness covenant is governed by a rolling four quarter fixed charge ratio requiring a specified minimum.

On October 29, 1996, the Company issued \$65,000,000 aggregate principal amount of 8.75% Series B Senior Subordinated Notes due in December 2003 (the Series B Notes). The Company used the net proceeds of approximately \$61,700,000 to repay \$50,000,000 of Revolving Credit Loans and to prepay and permanently reduce \$9,600,000 of the Term Loan. The remaining proceeds were used to pay various fees and expenses associated with the offering. The terms of the Series B Notes were substantially identical to those of the Notes. In February 1997, the Company exchanged \$65,000,000 aggregate principal amount of 8.75% Series C Senior Subordinated Notes due in December 2003 (the Series C Notes) for the Series B Notes. The terms of the Series C Notes are identical in all material respects to the Series B Notes.

LOANS PAYABLE -

Loans payable, secured by officers' life insurance policies, carry an interest rate of 5%. The notes carry no due dates and it is management's intention not to repay the notes during the next fiscal year.

CAPITALIZED LEASE AGREEMENTS - INDUSTRIAL DEVELOPMENT AGENCIES -

Certain capitalized lease agreements require the Company to make lease payments equal to the principal and interest on certain bonds issued by Industrial Development Agencies. The bonds are secured by the leases and the related facilities. These transactions have been treated as capital leases with the related assets included in property, plant and equipment and the lease commitments included in long-term debt. Among the provisions under the debenture and lease agreements are covenants that define minimum levels of working capital and tangible net worth and the maintenance of certain financial ratios as defined in the agreements.

DEBT PAYMENTS -

Principal payments required under long-term debt obligations during the next five fiscal years are as follows:

	February 28, 1998

	(in thousands)
1999	\$ 24,118
2000	24,119
2001	24,000
2002	24,000
2003	24,000
Thereafter	215,967

	\$336,204
	=====

7. INCOME TAXES:

The provision for Federal and state income taxes consists of the following:

<TABLE>
<CAPTION>

Ended	For the Year Ended			For the Year Ended	For the Six Months Ended	For the Year
31,	February 28, 1998			February 28,	February 29,	August
---	-----			-----	-----	-----
	Federal	State and Local	Total	1997	1996	1995
---	-----	-----	-----	-----	-----	-----
(in thousands)	<C>	<C>	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current income tax provision	\$ 21,032	\$ 7,444	\$ 28,476	\$ 14,347	\$ 1,390	\$ 6,446

Deferred income tax provision	5,935	384	6,319	5,769	1,991	19,232
	-----	-----	-----	-----	-----	-----
25,678	\$ 26,967	\$ 7,828	\$ 34,795	\$ 20,116	\$ 3,381	\$
	=====	=====	=====	=====	=====	=====

A reconciliation of the total tax provision to the amount computed by applying the expected U.S. Federal income tax rate to income before provision for Federal and state income taxes is as follows:

<TABLE>
<CAPTION>

	For the Year Ended February 28, 1998		For the Year Ended February 28, 1997		For the Six Months Ended February 29, 1996		For the Year Ended August 31, 1995	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
	-----	-----	-----	-----	-----	-----	-----	-----
(in thousands)	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Computed "expected" tax provision	\$ 29,703	35.0	\$ 16,727	35.0	\$ 2,346	35.0	\$ 23,344	35.0
State and local income taxes, net of Federal income tax benefit	5,089	6.0	3,304	6.9	827	12.3	2,395	3.6
Nondeductible meals and entertainment expenses	294	0.3	310	0.6	205	3.1	290	0.4
Miscellaneous items, net	(291)	(0.3)	(225)	(0.4)	3	--	(351)	(0.5)
	-----	-----	-----	-----	-----	-----	-----	-----
	\$ 34,795	41.0	\$ 20,116	42.1	\$ 3,381	50.4	\$ 25,678	38.5
	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

Deferred tax liabilities (assets) are comprised of the following:

	February 28, 1998	February 28, 1997
	-----	-----
(in thousands)		
Depreciation and amortization	\$ 70,303	\$ 68,155
LIFO reserve	13,601	2,019
Inventory reserves	6,974	9,418
Other accruals	(18,193)	(13,191)
	-----	-----
	\$ 72,685	\$ 66,991
	=====	=====

At February 28, 1998, the Company has state and U.S. Federal net operating loss (NOL) carryforwards of \$16,213,000 and \$3,654,000, respectively, to offset future taxable income that, if not otherwise utilized, will expire as follows: state NOLs of \$6,945,000, \$6,828,000 and \$2,440,000 at February 28, 2001, 2002 and 2003, respectively, and Federal NOL of \$3,654,000 at February 28, 2011.

8. PROFIT SHARING RETIREMENT PLANS AND RETIREMENT SAVINGS PLAN:

The Company's profit sharing retirement plans, which cover substantially all employees, provide for contributions by the Company in such amounts as the Board of Directors may annually determine and for voluntary contributions by employees. The plans are qualified as tax-exempt under the Internal Revenue Code and conform with the Employee Retirement Income Security Act of 1974. The Company's provisions for the plans, including the Barton plan described below, were \$5,571,000 and \$4,999,000 for the years ended February 28, 1998 and 1997, respectively, \$2,579,000 in the Transition Period and \$3,830,000 for fiscal 1995.

The Company's retirement savings plan, established pursuant to Section 401(k) of the Internal Revenue Code, permits substantially all full-time employees of the Company (excluding Barton employees, who are covered by a separate plan described below) to defer a portion of their compensation on a pretax basis. Participants may defer, subject to a maximum contribution limitation, up to 10% of their compensation for the year. The Company makes a matching contribution of 25% of the first 4% of compensation an employee defers. Company contributions to this plan were \$367,000 and \$700,000 for the years ended February 28, 1998 and 1997, respectively, \$325,000 in the Transition Period and \$281,000 in fiscal 1995.

The Barton profit sharing and 401(k) plan covers all salaried employees of

Barton. The amount of Barton's contribution under the profit sharing portion of the plan is at the discretion of its Board of Directors, subject to limitations of the plan. Contribution expense was \$2,799,000 and \$2,504,000 for the years ended February 28, 1998 and 1997, respectively, \$1,095,000 in the Transition Period and \$1,430,000 in fiscal 1995. Pursuant to the 401(k) portion of the plan, participants may defer up to 8% of their compensation for the year, subject to limitations of the plan, and receive no matching contribution from Barton.

9. STOCKHOLDERS' EQUITY:

COMMON STOCK -

The Company has two classes of common stock: Class A Common Stock and Class B Convertible Common Stock. Class B Convertible Common Stock shares are convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder. Holders of Class B Convertible Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are entitled to only one vote per share but are entitled to a cash dividend premium. If the Company pays a cash dividend on Class B Convertible Common Stock, each share of Class A Common Stock will receive an amount at least ten percent greater than the amount of the cash dividend per share paid on Class B Convertible Common Stock. In addition, the Board of Directors may declare and pay a dividend on Class A Common Stock without paying any dividend on Class B Convertible Common Stock.

At February 28, 1998, there were 15,405,464 shares of Class A Common Stock and 3,330,458 shares of Class B Convertible Common Stock outstanding, net of treasury stock.

STOCK REPURCHASE AUTHORIZATION -

On January 11, 1996, the Company's Board of Directors authorized the repurchase of up to \$30,000,000 of its Class A and Class B Common stock. The Company was permitted to finance such purchases, which became treasury shares, through cash generated from operations or through the Credit Agreement. The Company completed its repurchase program during fiscal 1998, repurchasing 362,100 shares of Class A Common Stock for \$9,233,000. Throughout the year ended February 28, 1997, the Company repurchased 787,450 shares of Class A Common Stock totaling \$20,765,000.

LONG-TERM STOCK INCENTIVE PLAN -

In July 1997, the stockholders approved the amendment and restatement of the Company's Stock Option and Stock Appreciation Right Plan (the Original Stock Plan) as the Long-Term Stock Incentive Plan (the Long-Term Stock Plan). Options granted under the Original Stock Plan remain outstanding and in full force in accordance with their terms.

Under the Long-Term Stock Plan, nonqualified stock options, stock appreciation rights, restricted stock and other stock-based awards may be granted to employees, officers and directors of the Company. Grants, in the aggregate, may not exceed 4,000,000 shares of the Company's Class A Common Stock. The exercise price, vesting period and term of nonqualified stock options granted are established by the committee administering the plan (the Committee). Grants of stock appreciation rights, restricted stock and other stock-based awards may contain such vesting, terms, conditions and other requirements as the Committee may establish. During fiscal 1998, no stock appreciation rights and 25,000 shares of restricted Class A Common Stock were granted. At February 28, 1998, there were 1,840,258 shares available for future grant.

A summary of nonqualified stock option activity is as follows:

<TABLE>

<CAPTION>

	Shares Under Option	Weighted Avg. Exercise Price	Options Exercisable	Weighted Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>
Balance, August 31, 1994	563,500	\$ 15.65		
Options granted	289,000	\$ 40.29		
Options exercised	(114,075)	\$ 7.02		
Options forfeited/canceled	(4,500)	\$ 19.22		

Balance, August 31, 1995	733,925	\$ 26.68	39,675	\$ 4.44
Options granted	571,050	\$ 36.01		
Options exercised	(18,000)	\$ 13.23		
Options forfeited/canceled	(193,250)	\$ 44.06		

Balance, February 29, 1996	1,093,725	\$ 28.70	28,675	\$ 4.44
Options granted	1,647,700	\$ 22.77		
Options exercised	(3,750)	\$ 4.44		
Options forfeited/canceled	(1,304,700)	\$ 32.09		

Balance, February 28, 1997	1,432,975	\$ 18.85	51,425	\$ 10.67
Options granted	569,400	\$ 38.72		
Options exercised	(117,452)	\$ 15.33		
Options forfeited/canceled	(38,108)	\$ 17.66		

Balance, February 28, 1998	1,846,815	\$ 25.23	360,630	\$ 25.46
	=====			

</TABLE>

The following table summarizes information about stock options outstanding at February 28, 1998:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Exercisable	Weighted Avg. Exercise Price
\$ 4.44 - \$11.50	38,675	3.5 years	\$ 9.15	38,675	\$ 9.15
\$17.00 - \$25.63	998,540	7.3 years	\$ 17.37	134,280	\$ 17.00
\$26.75 - \$31.25	351,800	8.5 years	\$ 28.46	80,200	\$ 27.30
\$35.38 - \$56.75	457,800	9.6 years	\$ 41.25	107,475	\$ 40.53
	-----			-----	
	1,846,815	8.0 years	\$ 25.23	360,630	\$ 25.46
	=====			=====	

The weighted average fair value of options granted during fiscal 1998, fiscal 1997 and the Transition Period was \$20.81, \$10.27 and \$15.90, respectively. The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 6.4% for fiscal 1998, 6.6% for fiscal 1997 and 5.5% for the Transition Period; volatility of 41.3% for fiscal 1998, 42.7% for fiscal 1997 and 39.6% for the Transition Period; expected option life of 6.9 years for fiscal 1998, 4.7 years for fiscal 1997 and 5.4 years for the Transition Period. The dividend yield was 0% for fiscal 1998, fiscal 1997 and the Transition Period. Forfeitures are recognized as they occur.

INCENTIVE STOCK OPTION PLAN -

The ability to grant incentive stock options under the Original Stock Plan was eliminated when it was amended and restated as the Long-Term Stock Plan. In July 1997, stockholders approved the adoption of the Company's Incentive Stock Option Plan. Under the Incentive Stock Option Plan, incentive stock options may be granted to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 1,000,000 shares of the Company's Class A Common Stock. The exercise price of any incentive stock option may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. The vesting period and term of incentive stock options granted are established by the Committee. The maximum term of incentive stock options is ten years. During fiscal 1998, no incentive stock options were granted.

EMPLOYEE STOCK PURCHASE PLAN -

In fiscal 1989, the Company approved a stock purchase plan under which 1,125,000 shares of Class A Common Stock can be issued. Under the terms of the plan, eligible employees may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. During fiscal 1998 and fiscal 1997, the Transition Period and fiscal 1995, employees purchased 78,248, 37,768, 20,869 and 28,641 shares, respectively.

The weighted average fair value of purchase rights granted during fiscal 1998 and fiscal 1997 was \$11.90 and \$8.41, respectively. The fair value of purchase rights is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 5.3% for fiscal 1998 and 5.6% for fiscal 1997; volatility of 35.1% for fiscal 1998 and 65.4% for fiscal 1997; expected purchase right life of 0.5 years for fiscal 1998 and 0.8 years for fiscal 1997. The dividend yield was 0% for both fiscal 1998 and fiscal 1997. No purchase rights were granted in the Transition Period.

PRO FORMA DISCLOSURE -

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. In fiscal 1997, the Company elected to adopt the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123). Accordingly, no compensation expense has been recognized for its stock-based compensation plans. Had the Company recognized the compensation cost based upon the fair value at the date of grant for awards under its plans consistent with the methodology prescribed by SFAS No. 123, net income and earnings per common share would have been reduced to the pro forma amounts as follows:

<TABLE>

<CAPTION>

	For the Year Ended February 28, 1998		For the Year Ended February 28, 1997		For the Six Months Ended February 29, 1996	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(in thousands, except per share data)						
Net income	\$ 50,071	\$ 46,171	\$ 27,675	\$ 25,038	\$ 3,322	\$ 3,178
Earnings per common share:						
Basic	\$ 2.68	\$ 2.47	\$ 1.43	\$ 1.30	\$ 0.17	\$ 0.16
Diluted	\$ 2.62	\$ 2.42	\$ 1.42	\$ 1.28	\$ 0.17	\$ 0.16

</TABLE>

The provisions of SFAS No. 123 have not been applied to options or purchase rights granted prior to September 1, 1995. Therefore, the resulting pro forma effect on net income may not be representative of that to be expected in future years.

STOCK OFFERING -

During November 1994, the Company completed a public offering and sold 3,000,000 shares of its Class A Common Stock, resulting in net proceeds to the Company of approximately \$95,515,000 after underwriters' discounts and commissions and expenses. In connection with the offering, 432,067 of the Vintners option shares were exercised and the Company received proceeds of \$7,885,000. Under the terms of the then existing bank credit agreement, approximately \$82,000,000 was used to repay a portion of the Term Loan under the bank credit agreement. The balance of net proceeds was used to repay Revolving Credit Loans under the bank credit agreement.

10. EARNINGS PER COMMON SHARE:

The following table presents historical earnings per common share restated to conform with the provisions of SFAS No. 128.

<TABLE>
<CAPTION>

	For the Years Ended		For the Six Months Ended		For the
	February 28, 1998	February 28, 1997	February 29, 1996	February 28, 1995	Year Ended August 31, 1995
(in thousands, except per share data)				(unaudited)	
BASIC EARNINGS PER COMMON SHARE:					
<S>	<C>	<C>	<C>	<C>	<C>
Income applicable to common shares	\$ 50,071	\$ 27,675	\$ 3,322	\$ 20,320	\$ 41,020
Weighted average common shares outstanding	18,672	19,333	19,611	17,989	18,776
BASIC EARNINGS PER COMMON SHARE	\$ 2.68	\$ 1.43	\$ 0.17	\$ 1.13	\$ 2.18
DILUTED EARNINGS PER COMMON SHARE:					
<S>	<C>	<C>	<C>	<C>	<C>
Income applicable to common shares	\$ 50,071	\$ 27,675	\$ 3,322	\$ 20,320	\$ 41,020
Weighted average common shares outstanding	18,672	19,333	19,611	17,989	18,776
Incentive stock options	423	179	129	152	155
Options/employee stock purchases	10	9	67	38	74
Adjusted weighted average common shares outstanding	19,105	19,521	19,807	18,179	19,005
DILUTED EARNINGS PER COMMON SHARE	\$ 2.62	\$ 1.42	\$ 0.17	\$ 1.12	\$ 2.16

</TABLE>

11. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES -

Future payments under noncancelable operating leases having initial or remaining terms of one year or more are as follows:

February 28, 1998

(in thousands)

1999	\$ 3,506
2000	2,627
2001	1,947
2002	1,513
2003	1,291
Thereafter	8,590

	\$ 19,474
	=====

Rental expense was approximately \$5,554,000 and \$4,716,000 for fiscal 1998 and fiscal 1997, respectively, \$2,382,000 in the Transition Period and \$4,193,000 for fiscal 1995.

PURCHASE COMMITMENTS AND CONTINGENCIES -

The Company has agreements with three suppliers to purchase blended Scotch whisky through December 2001. The purchase prices under the agreements are denominated in British pounds sterling. Based upon exchange rates at February 28, 1998, the Company's aggregate future obligation ranges from approximately \$10,758,000 to \$22,835,000 for the contracts expiring through December 2001.

The Company has an agreement to purchase Canadian blended whisky through September 1, 1999, with a maximum obligation of approximately \$4,453,000. The Company also has two agreements to purchase Canadian new distillation whisky (including dumping charges) through December 2005 at purchase prices of approximately \$12,521,000 to \$13,536,000. In addition, the Company has an agreement to purchase corn whiskey through April 1999 at a purchase price of approximately \$90,000.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements from the suppliers of these products. The Company's agreement to distribute Corona and its other Mexican beer brands exclusively throughout 25 states was renewed effective November 22, 1996, and expires December 2006, with automatic five year renewals thereafter, subject to compliance with certain performance criteria and other terms under the agreement. The remaining agreements expire through June 2003. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. At February 28, 1998, the Company believes it is in compliance with all of its material distribution agreements and, given the Company's long-term relationships with its suppliers, the Company does not believe that these agreements will be terminated.

In connection with the Vintners Acquisition and the Almaden/Inglenook Acquisition, the Company assumed purchase contracts with certain growers and suppliers. In addition, the Company has entered into other purchase contracts with various growers and suppliers in the normal course of business. Under the grape purchase contracts, the Company is committed to purchase all grape production yielded from a specified number of acres for a period of time ranging up to 20 years. The actual tonnage and price of grapes that must be purchased by the Company will vary each year depending on certain factors, including weather, time of harvest, overall market conditions and the agricultural practices and location of the growers and suppliers under contract.

The Company purchased \$154,909,000 of grapes under these contracts during fiscal 1998. Based on current production yields and published grape prices, the Company estimates that the aggregate purchases under these contracts over the remaining term of the contracts will be approximately \$915,651,000. During fiscal 1994, in connection with the Vintners Acquisition and the Almaden/Inglenook Acquisition, the Company established a reserve for the estimated loss on these firm purchase commitments of approximately \$62,664,000, which was subsequently reduced during fiscal 1995 to reflect the effects of the termination payments to cancel contracts with certain growers. The remaining reserve for the estimated loss on the remaining contracts is approximately \$771,000 at February 28, 1998.

The Company's aggregate obligations under bulk wine purchase contracts will be approximately \$32,502,000 over the remaining term of the contracts which expire through fiscal 2001.

EMPLOYMENT CONTRACTS -

The Company has employment contracts with certain of its executive officers and certain other management personnel with remaining terms ranging up to three years. These agreements provide for minimum salaries, as adjusted for annual increases, and may include incentive bonuses based upon attainment of specified management goals. In addition, these agreements provide for severance payments in the event of specified termination of employment. The aggregate commitment for future compensation and severance, excluding incentive bonuses, was approximately \$7,903,000 as of February 28, 1998, of which approximately \$1,436,000 is accrued in other liabilities as of February 28, 1998.

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS -

Approximately 42% of the Company's full-time employees are covered by collective bargaining agreements at February 28, 1998. Agreements expiring within one year cover approximately 7% of the Company's full-time employees.

LEGAL MATTERS -

The Company is subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the Company's financial condition or results of operations.

12. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

The Company sells its products principally to wholesalers for resale to retail outlets including grocery stores, package liquor stores, club and discount stores and restaurants. Gross sales to the five largest wholesalers of the Company represented 26.4%, 22.9%, 16.9% and 21.6% of the Company's gross sales for the fiscal years ending February 28, 1998 and 1997, the Transition Period and for the fiscal year ended August 31, 1995, respectively. Gross sales to the Company's largest wholesaler, Southern Wine and Spirits, represented 12.1%, 10.5% and 10.6% of the Company's gross sales for the fiscal years ended February 28, 1998 and 1997, and for the fiscal year ended August 31, 1995, respectively. Accounts receivable from the Company's largest wholesaler represented 14.1% and 11.3% of the Company's total accounts receivable as of February 28, 1998 and 1997, respectively. No single wholesaler was responsible for greater than 10% of gross sales during the Transition Period. Gross sales to the Company's five largest wholesalers are expected to continue to represent a significant portion of the Company's revenues. The Company's arrangements with certain of its wholesalers may, generally, be terminated by either party with prior notice. The Company performs ongoing credit evaluations of its customers' financial position, and management of the Company is of the opinion that any risk of significant loss is reduced due to the diversity of customers and geographic sales area.

13. RESTRUCTURING PLAN:

The Company provided for costs to restructure the operations of its California wineries (the Restructuring Plan) in the fourth quarter of fiscal 1994. Under the Restructuring Plan, all bottling operations at the Central Cellars winery in Lodi, California, and the branded wine bottling operations at the Monterey Cellars winery in Gonzales, California, were moved to the Mission Bell winery located in Madera, California. The Monterey Cellars winery will continue to be used as a crushing, winemaking and contract bottling facility. The Central Cellars winery was closed in the fourth quarter of fiscal 1995 and was sold for its approximate net book value during fiscal 1997. In fiscal 1994, the Restructuring Plan reduced income before taxes and net income by approximately \$24,005,000 and \$14,883,000, respectively, or \$0.92 per share on a diluted basis. Of the total pretax charge in fiscal 1994, approximately \$16,481,000 was to recognize estimated losses associated with the revaluation of land, buildings and equipment related to facilities described above to their estimated net realizable value; and approximately \$7,524,000 related to severance and other benefits associated with the elimination of 260 jobs. In fiscal 1995, the Restructuring Plan reduced income before income taxes and net income by approximately \$2,238,000 and \$1,376,000, respectively, or \$0.07 per share on a diluted basis. Of the total pretax charge in fiscal 1995, \$4,288,000 relates to equipment relocation and employee hiring and relocation costs, offset by a decrease of \$2,050,000 in the valuation reserve as compared to fiscal 1994, primarily related to the land, buildings and equipment at the Central Cellars winery. The Company also expended approximately \$19,071,000 in fiscal 1995 for capital expenditures to expand storage capacity and install certain relocated equipment. In the Transition Period, the expense incurred in connection with the Restructuring Plan reduced income before taxes and net income by approximately \$2,404,000 and \$1,192,000, respectively, or \$0.06 per share on a diluted basis. These charges represented incremental, nonrecurring expenses of \$3,982,000 primarily incurred for overtime and freight expenses resulting from inefficiencies related to the Restructuring Plan, offset by a reduction in the accrual for restructuring expenses of \$1,578,000, primarily for severance and facility holding and closure costs. The Company completed the Restructuring Plan at February 29, 1996, with a total employment reduction of 177 jobs. The Company expended approximately \$2,125,000 in fiscal 1997 and \$6,644,000 during the Transition Period for capital expenditures to expand storage capacity. As of February 28, 1997, the Company had accrued liabilities of approximately \$402,000 relating to the Restructuring Plan. As of February 28, 1998, the Company had no accrued liabilities relating to the Restructuring Plan.

14. SUMMARIZED FINANCIAL INFORMATION - SUBSIDIARY GUARANTORS:

The subsidiary guarantors are wholly owned and the guarantees are full, unconditional, joint and several obligations of each of the subsidiary guarantors. Summarized financial information for the subsidiary guarantors is set forth below. Separate financial statements for the subsidiary guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The subsidiary guarantors comprise all of the direct and indirect subsidiaries of the Company,

other than the nonguarantor subsidiaries which individually, and in the aggregate, are inconsequential. There are no restrictions on the ability of the subsidiary guarantors to transfer funds to the Company in the form of cash dividends or loan repayments; however, except for limited amounts, the subsidiary guarantors may not loan funds to the Company.

The following table presents summarized financial information for subsidiary guarantors in connection with all of the Company's 8.75% Senior Subordinated Notes:

	February 28, 1998	February 28, 1997
	-----	-----
(in thousands)		
Balance Sheet Data:		
Current assets	\$ 460,618	\$ 401,870
Noncurrent assets	\$ 395,225	\$ 403,068
Current liabilities	\$ 102,207	\$ 100,009
Noncurrent liabilities	\$ 61,784	\$ 65,300

<TABLE>
<CAPTION>

	For the Years Ended		For the Six Months Ended		For the Year Ended
	February 28, 1998	February 28, 1997	February 29, 1996	February 28, 1995	August 31, 1995
	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>
(in thousands)					
Income Statement Data:					
Net sales	\$ 985,757	\$ 907,387	\$ 416,839	\$ 334,885	\$ 716,969
Gross profit	\$ 196,642	\$ 164,471	\$ 73,843	\$ 62,883	\$ 131,489
Income before provision for					
Federal and state income taxes	\$ 64,270	\$ 47,303	\$ 17,083	\$ 22,690	\$ 52,756
Net income	\$ 38,094	\$ 27,392	\$ 8,466	\$ 13,954	\$ 32,445

</TABLE>

15. ACCOUNTING PRONOUNCEMENTS:

In June 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS No. 130) and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS No. 131) were issued. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. The Company is required to adopt SFAS No. 130 for interim periods and fiscal years beginning March 1, 1998. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company believes the effect of adoption will not be significant. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information in interim financial statements. The Company is required to adopt SFAS No. 131 for fiscal years beginning March 1, 1998, and for interim periods beginning March 1, 1999. Restatement of comparative information for earlier years is required in the initial year of adoption and comparative information for interim periods in the initial year of adoption is to be reported for interim periods in the second year of application. The Company has not yet determined the impact of SFAS No. 131 on its financial statements.

16. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

A summary of selected quarterly financial information is as follows:

<TABLE>
<CAPTION>

	QUARTER ENDED				
Fiscal 1998	May 31, 1997	August 31, 1997	November 30, 1997	February 28, 1998	Full Year
	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>
(in thousands, except per share data)					
<S>					
Net sales	\$ 306,011	\$ 301,524	\$ 322,703	\$ 282,550	\$ 1,212,788
Gross profit	\$ 80,732	\$ 84,759	\$ 98,000	\$ 85,244	\$ 348,735
Net income	\$ 10,046	\$ 12,365	\$ 17,611	\$ 10,049	\$ 50,071
Earnings per common share:					
Basic	\$ 0.54	\$ 0.67	\$ 0.94	\$ 0.54	\$ 2.68
Diluted	\$ 0.53	\$ 0.65	\$ 0.92	\$ 0.53	\$ 2.62

QUARTER ENDED

May 31, August 31, November 30, February 28,

Fiscal 1997	1996	1996	1996	1997	Full Year
(in thousands, except per share data)					
Net sales	\$ 276,493	\$ 279,218	\$ 317,733	\$ 261,569	\$ 1,135,013
Gross profit	\$ 72,907	\$ 69,835	\$ 81,683	\$ 66,407	\$ 290,832
Net income	\$ 8,501	\$ 4,941	\$ 8,311	\$ 5,922	\$ 27,675
Earnings per common share:					
Basic	\$ 0.43	\$ 0.25	\$ 0.43	\$ 0.31	\$ 1.43
Diluted	\$ 0.43	\$ 0.25	\$ 0.43	\$ 0.31	\$ 1.42

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
 FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item (except for the information regarding executive officers required by Item 401 of Regulation S-K which is included in Part I hereof in accordance with General Instruction G(3)) is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 21, 1998, under those sections of the proxy statement titled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 21, 1998, under that section of the proxy statement titled "Executive Compensation" and that caption titled "Director Compensation" under "Election of Directors", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 21, 1998, under those sections of the proxy statement titled "Beneficial Ownership" and "Stock Ownership of Management", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 21, 1998, under that section of the proxy statement titled "Executive Compensation", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following consolidated financial statements of the Company are submitted herewith:

Report of Independent Public Accountants

Consolidated Balance Sheets - February 28, 1998 and 1997

Consolidated Statements of Income for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996 and February 28, 1995 (unaudited), and for the year ended August 31, 1995

Consolidated Statements of Changes in Stockholders' Equity for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996, and for the year ended August 31, 1995

Consolidated Statements of Cash Flows for the years ended February 28, 1998 and 1997, for the six months ended February 29, 1996 and February 28, 1995 (unaudited), and for the year ended August 31, 1995

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

The following consolidated financial information is submitted herewith:

Selected Financial Data

Selected Quarterly Financial Information (unaudited)

All other schedules are not submitted because they are not applicable or not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

Individual financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interests and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

3. Exhibits required to be filed by Item 601 of Regulation S-K

The following exhibits are filed herewith or incorporated herein by reference, as indicated:

- 2.1 Stock Purchase Agreement dated April 27, 1993 among the Company, Barton Incorporated and the stockholders of Barton Incorporated, Amendment No. 1 to Stock Purchase Agreement dated May 3, 1993, and Amendment No. 2 to Stock Purchase Agreement dated June 29, 1993 (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated June 29, 1993 and incorporated herein by reference).
- 2.2 Asset Sale Agreement dated September 14, 1993 between the Company and Vintners International Company, Inc. (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.3 Amendment dated as of October 14, 1993 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Company (filed as Exhibit 2(b) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.4 Amendment No. 2 dated as of January 18, 1994 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Company (filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1994 and incorporated herein by reference).
- 2.5 Asset Purchase Agreement dated August 3, 1994 between the Company and Heublein, Inc. (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated August 5, 1994 and incorporated herein by reference).
- 2.6 Amendment dated November 8, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.2 to the Company's Registration Statement on Form S-3 (Amendment No. 2) (Registration No. 33-55997) filed with the Securities and Exchange Commission on November 8, 1994 and

incorporated herein by reference).

- 2.7 Amendment dated November 18, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.8 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1994 and incorporated herein by reference).
- 2.8 Amendment dated November 30, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1994 and incorporated herein by reference).
- 2.9 Asset Purchase Agreement among Barton Incorporated (a wholly-owned subsidiary of the Company), United Distillers Glenmore, Inc., Schenley Industries, Inc., Medley Distilling Company, United Distillers Manufacturing, Inc., and The Viking Distillery, Inc., dated August 29, 1995 (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K, dated August 29, 1995 and incorporated herein by reference).
- 3.1(a) Certificate of Amendment of the Certificate of Incorporation of the Company (filed as Exhibit 3.1(a) to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 3.1(b) Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Transition Report on Form 10-K for the Transition Period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).
- 3.2 Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 4.1 Indenture dated as of December 27, 1993 among the Company, its Subsidiaries and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).
- 4.2 First Supplemental Indenture dated as of August 3, 1994 among the Company, Canandaigua West, Inc. and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).
- 4.3 Second Supplemental Indenture dated August 25, 1995 among the Company, V Acquisition Corp. (a subsidiary of the Company now known as The Viking Distillery, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1995 and incorporated herein by reference).
- 4.4 Third Supplemental Indenture dated as of December 19, 1997 among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and The Chase Manhattan Bank (filed herewith).
- 4.5 Indenture with respect to the 8 3/4% Series C Senior Subordinated Notes due 2003 dated as of October 29, 1996 among the Company, its Subsidiaries and Harris Trust and Savings Bank (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-17673) and incorporated herein by reference).
- 4.6 First Supplemental Indenture dated as of December 19, 1997 among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and Harris Trust and Savings Bank (filed herewith).
- 4.7 Credit Agreement between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, dated as of December 19, 1997 (including a list briefly identifying the contents of all omitted schedules and exhibits thereto) (filed herewith). The Registrant will furnish supplementally to the Commission, upon request, a copy of any omitted schedule or exhibit.
- 10.1 Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of October 1, 1991 as amended by

- Amendment to Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of June 29, 1993 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.2 Barton Incorporated Management Incentive Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.3 Ellis M. Goodman Split Dollar Insurance Agreement (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.4 Barton Brands, Ltd. Deferred Compensation Plan (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.5 Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.6 Letter agreement, effective as of October 7, 1995, as amended, addressing compensation, between the Company and Daniel Barnett (filed as Exhibit 10.23 to the Company's Transition Report on Form 10-K for the Transition Period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).
- 10.7 Employment Agreement between Barton Incorporated and Alexander L. Berk dated as of September 1, 1990 as amended by Amendment No. 1 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated November 11, 1996 (filed herewith).
- 10.8 Credit Agreement between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, dated as of December 19, 1997 (including a list briefly identifying the contents of all omitted schedules and exhibits thereto) (incorporated by reference to Exhibit 4.7, filed herewith).
- 10.9 Long-Term Stock Incentive Plan, which amends and restates the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1997 and incorporated herein by reference).
- 10.10 Amendment Number One to the Long-Term Stock Incentive Plan of the Company (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.11 Incentive Stock Option Plan of the Company (filed as Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.12 Amendment Number One to the Incentive Stock Option Plan of the Company (filed as Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.13 Annual Management Incentive Plan of the Company (filed as Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.14 Amendment Number One to the Annual Management Incentive Plan of the Company (filed herewith).
- 11.1 Statement re Computation of Per Share Earnings (filed herewith).
- 21.1 Subsidiaries of Company (filed herewith).
- 23.1 Consent of Arthur Andersen LLP (filed herewith).
- 27.1 Financial Data Schedule for fiscal year ended February 28, 1998 (filed herewith).

- 27.2 Restated Financial Data Schedule for the fiscal quarter ended November 30, 1997 (filed herewith).
- 27.3 Restated Financial Data Schedule for the fiscal quarter ended August 31, 1997 (filed herewith).
- 27.4 Restated Financial Data Schedule for the fiscal quarter ended May 31, 1997 (filed herewith).
- 27.5 Restated Financial Data Schedule for the fiscal year ended February 28, 1997 (filed herewith).
- 27.6 Restated Financial Data Schedule for the fiscal quarter ended November 30, 1996 (filed herewith).
- 27.7 Restated Financial Data Schedule for the fiscal quarter ended August 31, 1996 (filed herewith).
- 27.8 Restated Financial Data Schedule for the fiscal quarter ended May 31, 1996 (filed herewith).
- 27.9 Restated Financial Data Schedule for the Transition Period from September 1, 1995 to February 29, 1996 (filed herewith).
- 27.10 Restated Financial Data Schedule for the fiscal year ended August 31, 1995 (filed herewith).
- 99.1 1989 Employee Stock Purchase Plan of the Company, as amended by Amendment Number 1 through Amendment Number 5 (filed herewith).

(b) Reports on Form 8-K

No Reports on Form 8-K were filed by the Company with the Securities and Exchange Commission during the fourth quarter of the fiscal year ended February 28, 1998.

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.

Dated: May 29, 1998

CANANDAIGUA BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, President and
Chief Executive Officer

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

/s/ Richard Sands

Richard Sands, President, Chief
Executive Officer and Director
(Principal Executive Officer)
Dated: May 29, 1998

/s/ Thomas S. Summer

Thomas S. Summer, Senior Vice President
and Chief Financial Officer (Principal
Financial Officer and Principal
Accounting Officer)
Dated: May 29, 1998

/s/ Marvin Sands

Marvin Sands, Chairman of
the Board
Dated: May 29, 1998

/s/ Robert Sands

Robert Sands, Director
Dated: May 29, 1998

/s/ George Bresler

George Bresler, Director
Dated: May 29, 1998

/s/ James A. Locke

James A. Locke, III, Director
Dated: May 29, 1998

/s/ Thomas C. McDermott

Thomas C. McDermott, Director

/s/ Bertram E. Silk

Bertram E. Silk, Director

Dated: May 29, 1998

Dated: May 29, 1998

/s/ Paul L. Smith

Paul L. Smith, Director
Dated: May 29, 1998

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.

Dated: May 29, 1998

BATAVIA WINE CELLARS, INC.

By: /s/ Ned Cooper

Ned Cooper, President

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

Dated: May 29, 1998

/s/ Ned Cooper

Ned Cooper, President
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Thomas S. Summer

Thomas S. Summer, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Director

Dated: May 29, 1998

/s/ Robert Sands

Robert Sands, Director

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.

Dated: May 29, 1998

CANANDAIGUA WINE COMPANY, INC.

By: /s/ Daniel C. Barnett

Daniel C. Barnett, President

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

Dated: May 29, 1998

/s/ Daniel C. Barnett

Daniel C. Barnett, President
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Thomas S. Summer

Thomas S. Summer, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Director

Dated: May 29, 1998

/s/ Robert Sands

Robert Sands, Director

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.

Dated: May 29, 1998

CANANDAIGUA EUROPE LIMITED

By: /s/ Douglas Kahle

Douglas Kahle, President

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

Dated: May 29, 1998

/s/ Douglas Kahle

Douglas Kahle, President
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Thomas S. Summer

Thomas S. Summer, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Director

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.

Dated: May 29, 1998

ROBERTS TRADING CORP.

By: /s/ Daniel C. Barnett

Daniel C. Barnett, President

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

Dated: May 29, 1998

/s/ Daniel C. Barnett

Daniel C. Barnett, President
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Thomas S. Summer

Thomas S. Summer, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Director

Dated: May 29, 1998

/s/ Robert Sands

Robert Sands, Director

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.

Dated: May 29, 1998

BARTON INCORPORATED

By: /s/ Alexander L. Berk

Alexander L. Berk, President and
Chief Operating Officer

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

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, President, Chief
Operating Officer and Director
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, Director

Dated: May 29, 1998

/s/ William F. Hackett

William F. Hackett, Director

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Director

Dated: May 29, 1998

/s/ Robert Sands

Robert Sands, Director

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.

Dated: May 29, 1998

BARTON BRANDS, LTD.

By: /s/ Edward L. Golden

Edward L. Golden, President

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

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, President and Director
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, Director

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.

Dated: May 29, 1998

BARTON BEERS, LTD.

By: /s/ Richard Sands

Richard Sands, Chief Executive
Officer

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

Dated: May 29, 1998

/s/ Richard Sands

Richard Sands, Chief Executive Officer
and Director (Principal Executive
Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, Director

Dated: May 29, 1998

/s/ William F. Hackett

William F. Hackett, Director

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.

Dated: May 29, 1998

BARTON BRANDS OF CALIFORNIA, INC.

By: /s/ Alexander L. Berk

Alexander L. Berk, President

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

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, President and
Director (Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, Director

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.

Dated: May 29, 1998

BARTON BRANDS OF GEORGIA, INC.

By: /s/ Alexander L. Berk

Alexander L. Berk, President

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

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, President and
Director (Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, Director

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.

Dated: May 29, 1998

BARTON DISTILLERS IMPORT CORP.

By: /s/ Alexander L. Berk

Alexander L. Berk, President

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

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, President and
Director (Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant

Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, Director

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.

Dated: May 29, 1998

BARTON FINANCIAL CORPORATION

By: /s/ Raymond E. Powers

Raymond E. Powers, President

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

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, President, Secretary
and Director (Principal Executive
Officer)

Dated: May 29, 1998

/s/ Charles T. Schlau

Charles T. Schlau, Treasurer and
Director (Principal Financial Officer
and Principal Accounting Officer)

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.

Dated: May 29, 1998

STEVENS POINT BEVERAGE CO.

By: /s/ James P. Ryan

James P. Ryan, President and Chief
Executive Officer

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

Dated: May 29, 1998

/s/ James P. Ryan

James P. Ryan, President, Chief
Executive Officer and Director
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, Director

Dated: May 29, 1998

/s/ William F. Hackett

William F. Hackett, Director

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.

Dated: May 29, 1998

MONARCH IMPORT COMPANY

By: /s/ James P. Ryan

James P. Ryan, Chief Executive
Officer

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

Dated: May 29, 1998

/s/ James P. Ryan

James P. Ryan, Chief Executive Officer
(Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, Director

Dated: May 29, 1998

/s/ William F. Hackett

William F. Hackett, Director

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.

Dated: May 29, 1998

THE VIKING DISTILLERY, INC.

By: /s/ Alexander L. Berk

Alexander L. Berk, President

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

Dated: May 29, 1998

/s/ Alexander L. Berk

Alexander L. Berk, President and
Director (Principal Executive Officer)

Dated: May 29, 1998

/s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer, Assistant
Secretary and Director (Principal
Financial Officer and Principal
Accounting Officer)

Dated: May 29, 1998

/s/ Edward L. Golden

Edward L. Golden, Director

INDEX TO EXHIBITS

EXHIBIT NO.

- 2.1 Stock Purchase Agreement dated April 27, 1993 among the Company, Barton Incorporated and the stockholders of Barton Incorporated, Amendment No. 1 to Stock Purchase Agreement dated May 3, 1993, and Amendment No. 2 to Stock Purchase Agreement dated June 29, 1993 (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated June 29, 1993 and incorporated herein by reference).
- 2.2 Asset Sale Agreement dated September 14, 1993 between the Company and Vintners International Company, Inc. (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.3 Amendment dated as of October 14, 1993 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Company (filed as Exhibit 2(b) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.4 Amendment No. 2 dated as of January 18, 1994 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Company (filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1994 and incorporated herein by reference).
- 2.5 Asset Purchase Agreement dated August 3, 1994 between the Company and Heublein, Inc. (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K dated August 5, 1994 and incorporated herein by reference).
- 2.6 Amendment dated November 8, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.2 to the Company's Registration Statement on Form S-3 (Amendment No. 2) (Registration No. 33-55997) filed with the Securities and Exchange Commission on November 8, 1994 and incorporated herein by reference).
- 2.7 Amendment dated November 18, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.8 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1994 and incorporated herein by reference).
- 2.8 Amendment dated November 30, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Company (filed as Exhibit 2.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1994 and incorporated herein by reference).
- 2.9 Asset Purchase Agreement among Barton Incorporated (a wholly-owned subsidiary of the Company), United Distillers Glenmore, Inc., Schenley Industries, Inc., Medley Distilling Company, United Distillers Manufacturing, Inc., and The Viking Distillery, Inc., dated August 29, 1995 (filed as Exhibit 2(a) to the Company's Current Report on Form 8-K, dated August 29, 1995 and incorporated herein by reference).
- 3.1(a) Certificate of Amendment of the Certificate of Incorporation of the Company (filed as Exhibit 3.1(a) to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 3.1(b) Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Transition Report on Form 10-K for the Transition Period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).
- 3.2 Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 4.1 Indenture dated as of December 27, 1993 among the Company, its Subsidiaries and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.1 to the Company's Quarterly

Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).

- 4.2 First Supplemental Indenture dated as of August 3, 1994 among the Company, Canandaigua West, Inc. and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).
- 4.3 Second Supplemental Indenture dated August 25, 1995 among the Company, V Acquisition Corp. (a subsidiary of the Company now known as The Viking Distillery, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1995 and incorporated herein by reference).
- 4.4 Third Supplemental Indenture dated as of December 19, 1997 among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and The Chase Manhattan Bank (filed herewith).
- 4.5 Indenture with respect to the 8 3/4% Series C Senior Subordinated Notes due 2003 dated as of October 29, 1996 among the Company, its Subsidiaries and Harris Trust and Savings Bank (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-17673) and incorporated herein by reference).
- 4.6 First Supplemental Indenture dated as of December 19, 1997 among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and Harris Trust and Savings Bank (filed herewith).
- 4.7 Credit Agreement between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, dated as of December 19, 1997 (including a list briefly identifying the contents of all omitted schedules and exhibits thereto) (filed herewith). The Registrant will furnish supplementally to the Commission, upon request, a copy of any omitted schedule or exhibit.
- 10.1 Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of October 1, 1991 as amended by Amendment to Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of June 29, 1993 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.2 Barton Incorporated Management Incentive Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.3 Ellis M. Goodman Split Dollar Insurance Agreement (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.4 Barton Brands, Ltd. Deferred Compensation Plan (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.5 Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- 10.6 Letter agreement, effective as of October 7, 1995, as amended, addressing compensation, between the Company and Daniel Barnett (filed as Exhibit 10.23 to the Company's Transition Report on Form 10-K for the Transition Period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).
- 10.7 Employment Agreement between Barton Incorporated and Alexander L. Berk dated as of September 1, 1990 as amended by Amendment No. 1 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated November 11, 1996 (filed herewith).
- 10.8 Credit Agreement between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, dated as of December 19, 1997 (including a list briefly identifying the contents of all omitted schedules and exhibits thereto) (incorporated by reference to Exhibit 4.7, filed herewith).
- 10.9 Long-Term Stock Incentive Plan, which amends and restates the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1997 and

incorporated herein by reference).

- 10.10 Amendment Number One to the Long-Term Stock Incentive Plan of the Company (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.11 Incentive Stock Option Plan of the Company (filed as Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.12 Amendment Number One to the Incentive Stock Option Plan of the Company (filed as Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.13 Annual Management Incentive Plan of the Company (filed as Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.14 Amendment Number One to the Annual Management Incentive Plan of the Company (filed herewith).
- 11.1 Statement re Computation of Per Share Earnings (filed herewith).
- 21.1 Subsidiaries of Company (filed herewith).
- 23.1 Consent of Arthur Andersen LLP (filed herewith).
- 27.1 Financial Data Schedule for fiscal year ended February 28, 1998 (filed herewith).
- 27.2 Restated Financial Data Schedule for the fiscal quarter ended November 30, 1997 (filed herewith).
- 27.3 Restated Financial Data Schedule for the fiscal quarter ended August 31, 1997 (filed herewith).
- 27.4 Restated Financial Data Schedule for the fiscal quarter ended May 31, 1997 (filed herewith).
- 27.5 Restated Financial Data Schedule for the fiscal year ended February 28, 1997 (filed herewith).
- 27.6 Restated Financial Data Schedule for the fiscal quarter ended November 30, 1996 (filed herewith).
- 27.7 Restated Financial Data Schedule for the fiscal quarter ended August 31, 1996 (filed herewith).
- 27.8 Restated Financial Data Schedule for the fiscal quarter ended May 31, 1996 (filed herewith).
- 27.9 Restated Financial Data Schedule for the Transition Period from September 1, 1995 to February 29, 1996 (filed herewith).
- 27.10 Restated Financial Data Schedule for the fiscal year ended August 31, 1995 (filed herewith).
- 99.1 1989 Employee Stock Purchase Plan of the Company, as amended by Amendment Number 1 through Amendment Number 5 (filed herewith).

=====

CREDIT AGREEMENT

dated as of

December 19, 1997

between

CANANDAIGUA BRANDS, INC.

The SUBSIDIARY GUARANTORS Party Hereto

The LENDERS Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

\$325,000,000

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CREDIT AGREEMENT dated as of December 19, 1997, between CANANDAIGUA BRANDS, INC. (formerly known as Canandaigua Wine Company, Inc.), the SUBSIDIARY GUARANTORS party hereto, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Borrower (as hereinafter defined) has requested that the Lenders (as so defined) extend credit (by means of loans and letters of credit) to it in an aggregate principal amount not exceeding \$325,000,000 at any one time outstanding (which amount may, in the circumstances herein provided be increased to \$525,000,000), to refinance certain existing indebtedness and to finance the ongoing working capital requirements and other general corporate purposes (including certain acquisitions) of the Borrower and its subsidiaries. The Lenders are prepared to extend such credit upon the terms and conditions hereof and, accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ACQUISITION" means an acquisition by the Borrower or any of its Subsidiaries of a business and the related assets of any Person (whether by way of purchase of assets or stock, including any tender for outstanding shares of stock, by merger or consolidation, by acceptance of a contribution of capital from another Person, or otherwise).

"ADJUSTED CASH FLOW" means, for any period (the "CALCULATION PERIOD"), the

sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) Operating Cash Flow for the calculation period MINUS (b) Capital Expenditures made during the calculation period (excluding Capital Expenditures made from the proceeds of Indebtedness other than Indebtedness hereunder).

"ADJUSTED LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period MULTIPLIED BY (b) the Statutory Reserve Rate.

"ADJUSTMENT AMOUNT" means, for any period, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the amount of any income or expense included in the determination of net operating income for such period as a result of changes in the LIFO Reserve.

"ADMINISTRATIVE AGENT" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day PLUS 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means (a) with respect to any Tranche I Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche I Revolving Commitments, (b) with respect to any Tranche II Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche II Revolving Commitments, (c) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement relating to Letters of Credit or Swingline Loans, the percentage of the total Revolving Commitments or Loans hereunder represented by the aggregate amount of such Lender's Revolving Commitment or Loans hereunder and (d) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement (other than one relating to Letters of Credit or Swingline Loans), the percentage of the total Commitments or Loans of all Classes hereunder represented by the aggregate amount of such Lender's Commitments or Loans of all Classes hereunder.

"APPLICABLE RATE" means, for any day, with respect to any ABR Loan (including any Swingline ABR Loan), Eurodollar Syndicated Loan or Swingline FFBR Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread" (in the case of ABR Loans), "Fixed Rate Revolving Spread" (in the case of Eurodollar Syndicated Revolving Loans or Swingline FFBR Loans), "Fixed Rate Term Loan Spread" (in the case of Eurodollar Syndicated Term Loans) or "Facility Fee Rate", respectively, based upon the Debt Ratio as of the most recent determination date; PROVIDED that until delivery of the consolidated financial statements specified below for the fiscal year of the Borrower ending February 28, 1998, the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 4:

DEBT RATIO:	ABR Spread	Fixed Rate Revolving Spread	Fixed Rate Term Loan Spread	Facility Fee Rate
CATEGORY 1 > 4.25x	.000	.900	1.250	.350
CATEGORY 2 <= 4.25x and > 4.00x	.000	.700	1.000	.300
CATEGORY 3 <= 4.00x and > 3.50x	.000	.600	.875	.275
CATEGORY 4 <= 3.50x and > 3.00x	.000	.500	.750	.250
CATEGORY 5				

<= 3.00x and > 2.50x	.000	.425	.625	.200

CATEGORY 6				
<= 2.50x and > 2.00x	.000	.325	.500	.175

CATEGORY 7				
<= 2.00x	.000	.250	.400	.150
=====				

For purposes of the foregoing, (i) the Debt Ratio shall be determined as of the end of each fiscal quarter of the Borrower's fiscal year based upon the Borrower's consolidated financial statements delivered pursuant to Section 6.01(a) or (b) and (ii) each change in the Applicable Rate resulting from a change in the Debt Ratio shall be effective during the period commencing on and including the date three Business Days after delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; PROVIDED that the Debt Ratio shall be deemed to be in Category 1 (A) at any time that an Event of Default has occurred and is continuing and (B) if the Borrower fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 6.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

Notwithstanding the foregoing, the "Applicable Rate" for any Tranche II Term Loan of any Series shall be the respective rates specified in the Tranche II Term Loan Agreement for such Series.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER" means Canandaigua Brands, Inc. (formerly known as Canandaigua Wine Company, Inc.), a Delaware corporation.

"BORROWING" means (a) Syndicated Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"BORROWING REQUEST" means a request by the Borrower for a Syndicated Borrowing in accordance with Section 2.03.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; PROVIDED that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAPITAL EXPENDITURES" means, for any period, expenditures (including the aggregate amount of Capital Lease Obligations incurred during such period) made by the Borrower or any of its Consolidated Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP. Notwithstanding the foregoing, no Acquisition permitted pursuant to Section 7.03(d) shall be treated as a Capital Expenditure.

"CAPITAL LEASE" of any Person means any lease of (or other arrangement conveying the right to use) real or personal Property, or a combination thereof, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any Capital Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CASUALTY EVENT" means, with respect to any Property of any Person, any loss of or damage to, or any condemnation or other taking of, such Property for which such Person or any of its Subsidiaries receives insurance proceeds, or proceeds of a condemnation award or other compensation.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or either Issuing Lender (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Lender's holding company, if any)

with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHASE" means The Chase Manhattan Bank.

"CLASS", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans, Tranche II Term Loans, Competitive Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Tranche I Revolving Commitment, Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment.

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

"COLLATERAL ACCOUNT" has the meaning assigned to such term in Section 4.01 of the Security Agreement.

"COMMITMENT" means a Tranche I Revolving Commitment, a Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment, or any combination thereof (as the context requires).

"COMPETITIVE BID" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"COMPETITIVE BID RATE" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"COMPETITIVE BID REQUEST" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"COMPETITIVE LOAN" means a Loan made pursuant to Section 2.04.

"CONSOLIDATED SUBSIDIARY" means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"CONSOLIDATED TANGIBLE ASSETS" means, as at any date, the total assets of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) that would be shown as tangible assets on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries. For purposes hereof, "TANGIBLE ASSETS" means all assets of the Borrower and its Consolidated Subsidiaries other than assets that should be classified as intangibles including goodwill, minority interests, research and development costs, trademarks, trade names, copyrights, patents and franchises, unamortized debt discount and expense, all reserves and any write-up in the book value of assets resulting from a revaluation thereof subsequent to December 31, 1996.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"DEBT INCURRENCE" means the incurrence by the Borrower or any of its Subsidiaries after the Effective Date of any Subordinated Indebtedness.

"DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"DEFAULT" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"DISCLOSED MATTERS" means the actions, suits and proceedings and the environmental matters disclosed in Schedule III.

"DISPOSITION" means any sale, assignment, transfer or other disposition of any Property (whether now owned or hereafter acquired) by the Borrower or any of

its Subsidiaries to any other Person excluding (a) any sale, assignment, transfer or other disposition of any Property sold or disposed of in the ordinary course of business and on ordinary business terms and (b) any Sale and Leaseback Transaction.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"EMPLOYEE STOCK PURCHASE PLAN" means the Canandaigua Brands, Inc. 1989 Employee Stock Purchase Plan.

"ENVIRONMENTAL CLAIM" means, with respect to any Person, (a) any written or oral notice, claim, demand or other communication (collectively, a "CLAIM") by any other Person alleging or asserting such Person's liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other Property, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or Release into the environment, of any Hazardous Material at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, without limitation, any claim by any governmental authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY ISSUANCE" means (a) any issuance or sale by the Borrower or any of its Subsidiaries after the Effective Date of (i) any of its capital stock, (ii) any warrants or options exercisable in respect of its capital stock or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in the Borrower or any of its Subsidiaries or (b) the receipt by the Borrower or any of its Subsidiaries after the Effective Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); PROVIDED that Equity Issuance shall not include (x) any such issuance or sale by any Subsidiary of the Borrower to the Borrower or any Wholly-Owned Subsidiary of the Borrower or (y) any capital contribution by the Borrower or any Wholly-Owned Subsidiary of the Borrower to any Subsidiary of the Borrower.

"EQUITY RIGHTS" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind for the issuance or sale by such Person of, or securities convertible into, any additional shares of capital stock of any class of such Person, or partnership or other ownership interests of any type in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA EVENT" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan

administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCESS CASH FLOW" means, for any fiscal year, the sum of (a) Adjusted Cash Flow for such fiscal year (determined without regard to the Adjustment Amount) MINUS (b) Fixed Charges for such fiscal year PLUS (c) the sum (if positive), or MINUS the sum (if negative), of the aggregate amount of "change in operating assets and liabilities, net of effects from purchases of businesses" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year, excluding, however, any portion of such amount attributable to non-cash adjustments (other than any non-cash adjustments related to Acquisitions) PLUS (d) the aggregate amount (if positive), or MINUS the aggregate amount (if negative), of "(repayment of) proceeds from notes payable, short-term borrowings" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year (excluding the repayment of short-term borrowings from the proceeds of an Equity Issuance or Debt Incurrence).

"EXCLUDED ENTITIES" means, collectively, Inactive Subsidiaries, Joint Venture Entities and Foreign Subsidiaries.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender, either Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or is attributable to such Foreign Lender's failure or inability to comply with Section 2.17(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"EXISTING CREDIT AGREEMENT" means the Third Amended and Restated Credit Agreement dated as of September 1, 1995 between the Borrower, the Banks party thereto and Chase, as Administrative Agent, as in effect on the date hereof.

"FFBR", when used in reference to any Swingline Loan, refers to whether such Loan bears interest at a rate determined by reference to the Federal Funds Base Rate.

"FEDERAL FUNDS BASE RATE" means, for any Interest Period for any Swingline Loan, the rate per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) determined by the Swingline Lender to be equal to the rate charged to the Swingline Lender on Federal funds transactions for such Interest Period with members of the Federal Reserve System arranged by Federal funds brokers on such day.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"FIRST CHICAGO" means The First National Bank of Chicago.

"FIXED CHARGES" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without

duplication in accordance with GAAP), of the following: (a) all payments of principal of Indebtedness scheduled to be made during such period PLUS (b) all Interest Expense for such period PLUS (c) the aggregate amount of federal and state taxes paid during such period to the extent that net operating income for such period pursuant to clause (a) of the definition of "Operating Cash Flow" in this Section has been calculated before giving effect to such taxes PLUS (d) the aggregate amount of Restricted Payments made pursuant to Section 7.05 (other than pursuant to clause (a)(i) thereof) during such period.

"FIXED CHARGES RATIO" means, as at any date, the ratio of (a) Adjusted Cash Flow for the period of four consecutive fiscal quarters ending on or most recently ended prior to such date to (b) Fixed Charges for such period.

"FIXED RATE" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"FIXED RATE LOAN" means a Competitive Loan bearing interest at a Fixed Rate.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARIES" means any Subsidiary organized under the laws of any country other than the United States of America, or a State thereof, which (if such Subsidiary were to become a Subsidiary Guarantor hereunder) the Borrower and the Administrative Agent have determined would result in adverse tax consequences under Section 956 of the Code. For purposes hereof, it is agreed that as of the date hereof each of Canandaigua World Sales Limited and BB Servicios, S.A. de C.V. are "Foreign Subsidiaries".

"GAAP" means generally accepted accounting principles in the United States of America.

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE" of or by any Person (the "GUARANTOR") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease Property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; PROVIDED, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"GUARANTEE ASSUMPTION AGREEMENT" means a Guarantee Assumption Agreement substantially in the form of Exhibit C by an entity that, pursuant to Section 6.09(a) is required to become a "Subsidiary Guarantor" hereunder in favor of the Administrative Agent.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGING AGREEMENT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"INACTIVE SUBSIDIARY" means, as at any date, any Subsidiary of the Borrower that, as at the end of and for the quarterly accounting period ending on or most recently ended prior to such date, shall have less than \$100,000 in assets and less than \$100,000 in gross revenues.

"INCENTIVE STOCK OPTION PLAN" means the Canandaigua Brands, Inc. Incentive Stock Option Plan dated June 23, 1997.

"INDEBTEDNESS" of any Person means, without duplication, (a) all

obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to Property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of Property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INTEREST COVERAGE RATIO" means, as at any date of determination thereof, the ratio of (a) Operating Cash Flow for the period of four fiscal quarters ending on or most recently ended prior to such date to (b) Interest Expense for such period.

"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Syndicated Borrowing in accordance with Section 2.08.

"INTEREST EXPENSE" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest in respect of Indebtedness (including the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) PLUS (b) the net amounts payable (or MINUS the net amounts receivable) under Interest Rate Protection Agreements accrued during such period (whether or not actually paid or received during such period) MINUS (c) all interest income during such period.

"INTEREST PAYMENT DATE" means (a) with respect to any ABR Syndicated Loan, each Quarterly Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"INTEREST PERIOD" means (a) with respect to any Eurodollar Syndicated Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, (b) with respect to any Eurodollar Competitive Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as specified in the applicable Competitive Bid Request, (c) with respect to any Fixed Rate Borrowing, the period (which shall not be more than 90 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request, and (d) with respect to any Swingline FFBR Borrowing, the period commencing on the date of such Borrowing and ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, as the Borrower may elect; PROVIDED, that

(i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and

(ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Syndicated Borrowing, thereafter shall be the effective date of the most recent conversion or

continuation of such Borrowing.

"INTEREST RATE PROTECTION AGREEMENT" means any Hedging Agreement that consists of an interest rate protection agreement or other interest rate hedging arrangement providing for the transfer or mitigation of interest risks either generally or under specific contingencies.

"INVESTMENT" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 120 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

"ISSUING LENDER" means (i) Chase, in its capacity as the issuer of Letters of Credit (other than the Qingdao Letter of Credit) hereunder and (ii) First Chicago, in its capacity as the issuer of the Qingdao Letter of Credit hereunder, and their respective successors in such capacity as provided in Section 2.06(j).

"JOINT VENTURE ENTITY" means, collectively, (i) any Subsidiary of the Borrower that is not a Wholly-Owned Subsidiary and (ii) any Subsidiary of any Joint Venture Entity described in the foregoing clause (i), PROVIDED that in any event, until such time (if ever) as it shall become a Wholly-Owned Subsidiary, Polyphenolics, LLC shall be deemed to be a "Joint Venture Entity".

"LC DISBURSEMENT" means a payment made by an Issuing Lender pursuant to a Letter of Credit.

"LC EXPOSURE" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time PLUS (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total LC Exposure at such time.

"LENDERS" means the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"LETTER OF CREDIT" means any letter of credit issued pursuant to this Agreement.

"LETTER OF CREDIT DOCUMENTS" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period.

In the event that such rate is not available at such time for any reason, then the LIBO Rate with respect to such Eurodollar Borrowing for such Interest Period shall be the rate (rounded upwards, if necessary, to the next 1/16 of 1%) at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of Chase in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional

sale agreement, Capital Lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LIFO RESERVE" means, for any period, for the Borrower and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the reserve established as at the end of such period by the Borrower to reflect the difference, if any, between (a) the cost of inventory using the last-in first-out method of accounting therefor and (b) the cost of inventory using the first-in first-out method of accounting therefor.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Letter of Credit Documents, the Security Documents and the Tranche II Agreements.

"LOANS" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"LONG-TERM STOCK INCENTIVE PLAN" means the Canandaigua Brands, Inc. Long-Term Stock Incentive Plan dated June 23, 1997.

"MARGIN" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"MARGIN STOCK" means "margin stock" within the meaning of Regulations G, T, U and X of the Board.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (b) the legal ability or financial capacity of any Obligor to perform any of its obligations under this Agreement or any of the other Loan Documents to which it is a party or (c) the rights of or benefits available to the Lenders under this Agreement or any of the other Loan Documents. Material Adverse Effect shall also include, for purposes of Section 4.07, any material adverse effect upon the operation of any of the facilities owned, operated or leased by the Borrower or any of its Subsidiaries.

"MATERIAL INDEBTEDNESS" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$500,000. For purposes of determining Material Indebtedness, the "PRINCIPAL AMOUNT" of the obligations of any Person in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Hedging Agreement were terminated at such time.

"MATURITY DATE" means the Quarterly Date falling on or nearest to June 1, 2003.

"MORTGAGES" means, collectively, the respective Deeds of Trust and Mortgages executed and delivered by the Borrower and its Subsidiaries pursuant to the Existing Credit Agreement (or pursuant to earlier restatements thereof or pursuant to the original Credit Agreement dated as of September 30, 1991), covering the properties of the respective Obligors identified in Parts A and B of Schedule VI, in each case as such Deeds of Trust and Mortgages have been heretofore modified, as such Deeds of Trust and Mortgages shall be modified pursuant to instruments of Modification and Confirmation executed and delivered pursuant to Section 5.01(g), and as such Deeds of Trust and Mortgages shall be further modified and supplemented and in effect from time to time.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET AVAILABLE PROCEEDS" means:

(i) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition;

(ii) in the case of any Casualty Event, the aggregate amount of proceeds of insurance, condemnation awards and other compensation received by the Borrower and its Subsidiaries in respect of such Casualty Event net of (A) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (B) contractually required repayments of Indebtedness (other than Indebtedness to the Lenders hereunder) to the extent secured by a Lien on such Property and any income and transfer taxes payable by the Borrower or any of its Subsidiaries in respect of such Casualty Event;

(iii) in the case of any Equity Issuance, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Equity Issuance (net of reasonable expenses incurred by the

Borrower and its Subsidiaries in connection therewith); and

(iv) in the case of any Debt Incurrence, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Debt Incurrence (net of (x) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (y) cash proceeds so received and applied to refinance other Subordinated Indebtedness as contemplated by Section 7.09).

"NET CASH PAYMENTS" means, with respect to any Disposition, the aggregate amount of all cash payments received by the Borrower and its Subsidiaries directly or indirectly in connection with such Disposition; PROVIDED that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Borrower and its Subsidiaries in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated to be payable by the Borrower and its Subsidiaries as a result of such Disposition (but only to the extent that such estimated taxes are in fact paid to the relevant Federal, state or local governmental authority within three months of the date of such Disposition) and (b) Net Cash Payments shall be net of any repayments by the Borrower or any of its Subsidiaries of Indebtedness to the extent that (i) such Indebtedness is secured by a Lien on the Property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such Property requires that such Indebtedness be repaid as a condition to the purchase of such Property.

"NOTES" means promissory notes from time to time executed and delivered pursuant to Section 2.10(f).

"OBLIGOR" means the Borrower and each Subsidiary Guarantor.

"OFF-PREMISES WAREHOUSES" means all warehouses and other bailment facilities owned and operated by Persons other than any Obligor that are not located on Property owned or leased by any Obligor and in which inventory is maintained from time to time.

"OPERATING CASH FLOW" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) net operating income (calculated before income taxes, interest income, Interest Expense, extraordinary and unusual items and income or loss attributable to equity in Affiliates) for such period PLUS (b) depreciation and amortization (to the extent deducted in determining net operating income) for such period PLUS (c) the Adjustment Amount for such period, if such Adjustment Amount is expense (or MINUS the Adjustment Amount for such period, if such Adjustment Amount is income).

Notwithstanding the foregoing, if during any period for which Operating Cash Flow is being determined the Borrower or any of its Subsidiaries shall have consummated any Acquisition or Disposition then, for all purposes of this Agreement (other than for purposes of determining Excess Cash Flow), Operating Cash Flow shall be determined on a PRO FORMA basis as if such Acquisition or Disposition had been made or consummated on the first day of such period.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PERMITTED ENCUMBRANCES" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 6.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, bankers' and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 6.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VIII; and

(f) easements, zoning restrictions, rights-of-way and similar

encumbrances on real Property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected Property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

PROVIDED that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"PERMITTED INVESTMENTS" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard & Poor's Ratings Group or from Moody's Investors Services, Inc.;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of (x) any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000 or (y) any Lender hereunder; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PROPERTY" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"QINGDAO LETTER OF CREDIT" means Letter of Credit No. 04021104 issued by First Chicago to Qingdao Brewery, 56 Dengzhou Road, Qingdao, People's Republic of China, as such Letter of Credit shall, subject to the provisions of Sections 2.06(b) and 2.06(1), be modified, renewed and reissued from time to time.

"QINGDAO LETTER OF CREDIT LIMIT" means (i) as of the Effective Date, \$553,407, and (ii) as of the date of any modification or renewal or reissuance of the Qingdao Letter of Credit, the amount specified by First Chicago, as an Issuing Lender, to the Administrative Agent and the Borrower at the time of such modification, renewal or reissuance as the new "Qingdao Letter of Credit Limit" for purposes of this Agreement.

"QUARTERLY DATES" means the 1st day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof; PROVIDED that if any such day is not a Business Day, then such Quarterly Date shall be the next succeeding Business Day.

"REGISTER" has the meaning set forth in Section 10.04.

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

"REQUIRED LENDERS" means, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing at least 66-2/3% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time; PROVIDED that, for purposes of declaring the Loans to be due and

payable pursuant to Article VIII, and for all purposes after the Loans become due and payable pursuant to Article VIII or the Revolving Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Exposures in determining the Required Lenders. The "Required Lenders" of a particular Class of Loans means Lenders having Revolving Exposures, Term Loans and unused Commitments of such Class representing at least 66-2/3% of the sum of the total Revolving Exposures, Term Loans and unused Commitments of such Class at such time.

"RESTRICTED PAYMENT" means any dividend or other distribution (whether in cash, securities or other Property) with respect to any shares of any class of capital stock of the Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Borrower.

"REVOLVING AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Commitments.

"REVOLVING COMMITMENTS" means, collectively, the Tranche I Revolving Commitments and the Tranche II Revolving Commitments.

"REVOLVING EXPOSURE" means, collectively, the Tranche I Revolving Exposure and the Tranche II Revolving Exposure.

"REVOLVING LENDERS" means, collectively, the Tranche I Revolving Lenders and the Tranche II Revolving Lenders.

"REVOLVING LOANS" means, collectively, the Tranche I Revolving Loans and the Tranche II Revolving Loans.

"SALE AND LEASEBACK TRANSACTION" means a transaction or series of transactions pursuant to which the Borrower or any Subsidiary shall sell or transfer to any Person (other than the Borrower or a Subsidiary) any Property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Borrower or any Subsidiary shall rent or lease as lessee, or similarly acquire the right to possession or use of, such Property or one or more Properties which it intends to use for the same purpose or purposes as such Property, and in circumstances that give rise to a Capital Lease Obligation of the Borrower or one or more of its Subsidiaries.

"SECURITY AGREEMENT" means a Security Agreement substantially in the form of Exhibit B between the Borrower, the Subsidiary Guarantors and the Administrative Agent.

"SECURITY DOCUMENTS" means, collectively, the Security Agreement, the Mortgages and all Uniform Commercial Code financing statements required by the Security Agreement or the Mortgages to be filed with respect to the security interests in personal Property and fixtures created pursuant to the Security Agreement or the Mortgages.

"SENIOR DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness (other than any Subordinated Indebtedness) of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance or Debt Incurrence at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"SENIOR SUBORDINATED NOTE GUARANTEES" means, collectively, the Guarantees, pursuant to Section 1014 or Article 14 of the Senior Subordinated Note Indenture, by each Subsidiary Guarantor of the punctual payment and performance when due of all of the Borrower's Indenture Obligations (as defined in the Senior Subordinated Note Indenture).

"SENIOR SUBORDINATED NOTES" means the Borrower's Senior Subordinated Notes due 2003 issued pursuant to the Senior Subordinated Note Indenture.

"SENIOR SUBORDINATED NOTE INDENTURE" means, collectively, (a) the Indenture dated as of December 27, 1993 between the Borrower, the Subsidiary Guarantors and Chase (as successor by merger to Chemical Bank), as trustee, and (b) the Indenture dated as of October 29, 1996 between the Borrower, the Subsidiary Guarantors and Harris Trust and Savings Bank, as trustee.

"SERIES" has the meaning set forth in Section 2.01(c).

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one MINUS the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBORDINATED INDEBTEDNESS" means, collectively, (a) Indebtedness of the Borrower in respect of the Senior Subordinated Notes and (b) other Indebtedness incurred in accordance with the provisions of Section 7.09.

"SUBSIDIARY" means, with respect to any Person (the "PARENT") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"SUBSIDIARY GUARANTOR" means each of the Subsidiaries of the Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto and each Subsidiary of the Borrower that becomes a "Subsidiary Guarantor" after the date hereof pursuant to Section 6.09(a).

"SWINGLINE EXPOSURE" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total Swingline Exposure at such time.

"SWINGLINE LENDER" means Chase, in its capacity as Lender of Swingline Loans hereunder, or such other Lender as the Borrower may from time to time select as the Swingline Lender hereunder pursuant to Section 2.05(e).

"SWINGLINE LOAN" means a Loan made pursuant to Section 2.05.

"SYNDICATED LOANS" means, collectively, the Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans and Tranche II Term Loans.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TERM LOAN COMMITMENTS" means, collectively, the Tranche I Term Loan Commitments and Tranche II Term Loan Commitments.

"TERM LOAN LENDERS" means, collectively, the Tranche I Term Loan Lenders and Tranche II Term Loan Lenders.

"TERM LOAN PRINCIPAL PAYMENT DATES" means, collectively, the Tranche I Term Loan Principal Payment Dates and Tranche II Term Loan Principal Payment Dates, as applicable.

"TERM LOANS" means, collectively, the Tranche I Term Loans and the Tranche II Term Loans.

"TRANCHE I REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche I Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche I Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Revolving Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Revolving Commitments is \$185,000,000.

"TRANCHE I REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche I Revolving Loans and its Tranche I Revolving LC Exposure and Tranche I Revolving Swingline Exposure at such time.

"TRANCHE I REVOLVING LENDERS" means a Lender with a Tranche I Revolving Commitment or, if the Tranche I Revolving Commitments have terminated or expired, a Lender with Tranche I Revolving Exposure.

"TRANCHE I REVOLVING LOAN" means a Loan made pursuant to Section 2.01(a), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE I TERM LOAN COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche I Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Tranche I Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Term Loan Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Term Loan Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Term Loan Commitments is \$140,000,000.

"TRANCHE I TERM LOAN LENDER" means a Lender with a Tranche I Term Loan Commitment or an outstanding Tranche I Term Loan.

"TRANCHE I TERM LOAN PRINCIPAL PAYMENT DATES" means the Quarterly Dates falling on or nearest to March 1, June 1, September 1 and December 1 of each year, commencing with March 1, 1998, through and including June 1, 2003.

"TRANCHE I TERM LOANS" means a Loan made pursuant to Section 2.01(b), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II AGREEMENTS" means, collectively, the Tranche II Revolving Agreements and the Tranche II Term Loan Agreements.

"TRANCHE II COMMITMENTS" means, collectively, the Tranche II Revolving Commitments and the Tranche II Term Loan Commitments.

"TRANCHE II LOANS" means, collectively, the Tranche II Revolving Loans and the Tranche II Term Loans.

"TRANCHE II REVOLVING AGREEMENT" means, with respect to any Series of Tranche II Revolving Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Revolving Commitment of such Series hereunder.

"TRANCHE II REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche II Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche II Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Revolving Commitment shall be determined in accordance with the provisions of Section 2.01(c).

"TRANCHE II REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche II Revolving Loans and its Tranche II Revolving LC Exposure and Tranche II Revolving Swingline Exposure at such time.

"TRANCHE II REVOLVING LENDERS" means a Lender with a Tranche II Revolving Commitment or, if the Tranche II Revolving Commitments have terminated or expired, a Lender with Tranche II Revolving Exposure.

"TRANCHE II REVOLVING LOAN" means a "Tranche II Revolving Loan" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II TERM LOAN AGREEMENT" means, with respect to any Series of Tranche II Term Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Term Loan Commitment of such Series hereunder.

"TRANCHE II TERM LOAN AVAILABILITY PERIOD" means the period from and including the Effective Date to and including the Tranche II Term Loan Commitment Termination Date.

"TRANCHE II TERM LOAN COMMITMENT" of any Series means, with respect to each Lender, the commitment, if any, of such Lender to make one or more Tranche II Term Loans of such Series, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Term Loan Commitment of any Series will be specified in the Tranche II Term Loan Agreement for such Series, or will be set forth in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche II Term Loan Commitment of such Series, as

applicable.

"TRANCHE II TERM LOAN COMMITMENT TERMINATION DATE" means, December 29, 2000 or, if such day is not a Business Day, the next preceding Business Day.

"TRANCHE II TERM LOAN LENDER" means, in respect of any Series of Tranche II Term Loans, a Lender with a Tranche II Term Loan Commitment of such Series or, if the Tranche II Term Loan Commitments of such Series have terminated or expired, a Lender with outstanding Tranche II Term Loans of such Series.

"TRANCHE II TERM LOAN PRINCIPAL PAYMENT DATES" means, for any Series of Tranche II Term Loans, the dates specified in the Tranche II Term Loan Agreement for such Series as the dates upon which payments of principal in respect of the Tranche II Term Loans of such Series are to be made.

"TRANCHE II TERM LOANS" means the "Tranche II Term Loans" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANSACTIONS" means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is intended to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"TYPE", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"WHOLLY-OWNED SUBSIDIARY" means, with respect to any Person, any corporation, partnership or other entity of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. For purposes hereof, BB Servicios, S.A. de C.V. shall be deemed to be a Wholly-Owned Subsidiary so long as the direct or indirect ownership interest of the Borrower therein shall not fall below that indicated on Schedule IV.

"WITHDRAWAL LIABILITY" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Tranche I Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Loan"); each Series of Tranche II Term Loans shall be deemed a separate Class of Loans hereunder. Borrowings also may be classified and referred to by Class (e.g., a "Tranche I Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Borrowing"); and each Series of Tranche II Term Loan Borrowings and Tranche II Term Loan Commitments shall be deemed a separate Borrowing and Commitment hereunder. Swingline ABR Loans and Swingline FFBC Loans shall be deemed to be Loans of the same Class but different Types.

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "Property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; PROVIDED that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision

shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.01. THE COMMITMENTS.

(a) TRANCHE I REVOLVING LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make Tranche I Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in (i) such Lender's Tranche I Revolving Exposure exceeding such Lender's Tranche I Revolving Commitment or (ii) the sum of the total Tranche I Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Tranche I Revolving Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche I Revolving Loans.

(b) TRANCHE I TERM LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make one or more Tranche I Term Loans to the Borrower on the Effective Date in a principal amount equal to its Tranche I Term Loan Commitment. Amounts repaid in respect of Tranche I Term Loans may not be reborrowed.

(c) TRANCHE II LOANS. In addition to borrowings of Tranche I Revolving Loans and Tranche I Term Loans, at any time and from time to time on or before the Tranche II Term Loan Commitment Termination Date, the Borrower may request that the Lenders offer to enter into commitments to make additional revolving loans (which shall be "Tranche II Revolving Loans") or additional term loans (which shall be "Tranche II Term Loans") to the Borrower hereunder (it being understood that such offer may be made by any financial institution that is to become a Lender hereunder in connection with the making of such offer under this paragraph (c), so long as the Administrative Agent shall have consented to such financial institution being a Lender hereunder, it being understood that such consent shall not be unreasonably withheld). In the event that one or more of the Lenders offer, in their sole discretion, to enter into such commitments, and such Lenders and the Borrower agree as to the amount of such commitments that shall be allocated to the respective Lenders making such offers, as to the fees (if any) to be payable by the Borrower in connection therewith and the Applicable Rate and (in the case of Tranche II Term Loans) the amortization relating thereto, the Borrower, the Administrative Agent and such Lenders shall execute and deliver a Tranche II Revolving Loan Agreement or Tranche II Term Loan Agreement, as applicable, and such Lenders shall become obligated to make Tranche II Revolving Loans or Tranche II Term Loans, as applicable, under this Agreement in an amount equal to the amount of their respective Tranche II Revolving Commitments and Tranche II Term Loan Commitments, as applicable, as specified in such Agreement. The Tranche II Loans to be made pursuant to any Tranche II Agreement in response to any such request by the Borrower shall be deemed to be a separate "SERIES" of Tranche II Revolving Loans or Tranche II Term Loans, as applicable, for all purposes of this Agreement.

Anything herein to the contrary notwithstanding, (i) the minimum aggregate principal amount of Tranche II Commitments entered into pursuant to any such request (and, accordingly, the minimum aggregate principal amount of any Series of Tranche II Loans) shall be \$50,000,000, (ii) the aggregate outstanding principal amount of Tranche II Loans of all Series, together with the aggregate unutilized Tranche II Commitments of all Series, shall not exceed \$200,000,000 at any time, PROVIDED that the Borrower may not make any request for Tranche II Commitments hereunder after December 31, 1999 to the extent that, after giving effect to any Tranche II Commitments issued in response to such request, the aggregate outstanding principal amount of Tranche II Loans and unutilized Tranche II Commitments would exceed \$100,000,000, (iii) no single Lender (and its Affiliates) may have Commitments and Loans (including Incremental Commitments and Incremental Loans) aggregating more than 20% of the total outstanding Commitments and Loans of all Classes (other than Competitive Loans), (iv) the Tranche II Term Loan Commitments of any Series shall terminate on the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series and (v) in no event shall the Tranche II Term Loan Agreement for any Series of Tranche II Term Loans provide for the final maturity of the Tranche II Term Loans of such Series to be later than June 1, 2003, nor shall such Agreement provide for amortization of the Tranche II Term Loans of such Series at a rate faster (i.e. earlier) than the rate of amortization of the Tranche I Term Loans (the determination of whether or not such amortization is faster to be made by the Administrative Agent).

Following agreement by the Borrower and one or more of the Lenders as provided above, subject to the terms and conditions set forth herein:

(x) each Tranche II Revolving Lender of any Series agrees to make Tranche II Revolving Loans of such Series to the Borrower from time to time

during the Revolving Availability Period, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Revolving Commitment of such Series of such Tranche II Revolving Lender; within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche II Revolving Loans of any Series as the Borrower shall from time to time select; and

(y) each Tranche II Term Loan Lender of any Series agrees to make Tranche II Term Loans of such Series to the Borrower from time to time during the period from and including the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Term Loan Commitment of such Series of such Tranche II Term Loan Lender.

SECTION 2.02. LOANS AND BORROWINGS.

(a) OBLIGATION OF LENDERS. Each Syndicated Loan shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; PROVIDED that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) TYPE OF LOANS. Subject to Section 2.14, (i) each Syndicated Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; PROVIDED that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) MINIMUM AMOUNTS. At the commencement of each Interest Period for any Eurodollar Syndicated Borrowing, such Borrowing shall be in an aggregate amount of \$3,000,000 or a larger multiple of \$100,000. At the time that each ABR Syndicated Borrowing is made, such Borrowing shall be in an aggregate amount equal to \$3,000,000 or a larger multiple of \$100,000; PROVIDED that an ABR Syndicated Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of the applicable Class or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f). Each Tranche II Term Loan Borrowing shall be in an aggregate amount equal to \$50,000,000 or a larger multiple of \$100,000 (PROVIDED that a Tranche II Term Loan Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Tranche II Term Loan Commitments). Each Competitive Borrowing shall be in an aggregate amount equal to \$10,000,000 or a larger multiple of \$5,000,000. Each Swingline Loan shall be in an amount equal to \$500,000 or a larger multiple of \$100,000. Borrowings of more than one Type and Class may be outstanding at the same time; PROVIDED that there shall not at any time be more than a total of twenty (20) Eurodollar Syndicated Borrowings, Competitive Borrowings and Swingline Borrowings outstanding.

(d) CONVERSION OR CONTINUATION OF EURODOLLAR LOANS. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert to or continue as a Syndicated Eurodollar Borrowing: (i) any Revolving Borrowing or Competitive Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date; (ii) any Term Loan Borrowing of any Class if the Interest Period requested with respect thereto would end after the Maturity Date for the Term Loans of such Class; or (iii) any Term Loan of any Class if the Interest Period therefor would commence before and end after any Term Loan Principal Payment Date for such Class unless, after giving effect thereto, the aggregate principal amount of the Term Loans of such Class having Interest Periods that end after such Term Loan Principal Payment Date shall be equal to or less than the aggregate principal amount of the Term Loans of such Class permitted to be outstanding after giving effect to the payments of principal required to be made on such Term Loan Principal Payment Date.

SECTION 2.03. REQUESTS FOR SYNDICATED BORROWINGS. To request a Syndicated Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Syndicated Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the

Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Tranche I Revolving Borrowing, Tranche II Revolving Borrowing, Tranche I Term Loan Borrowing or Tranche II Term Loan Borrowing (including, if applicable, the respective Series of Tranche II Term Loans to which such Borrowing relates);

(ii) the aggregate amount of the requested Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Syndicated Borrowing is specified, then the requested Syndicated Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Syndicated Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. COMPETITIVE BID PROCEDURE.

(a) REQUESTS FOR BIDS BY BORROWER. Subject to the terms and conditions set forth herein, from time to time during the Revolving Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; PROVIDED that the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Revolving Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Revolving Lenders of the details thereof by telecopy, inviting the Revolving Lenders to submit Competitive Bids.

(b) MAKING OF BIDS BY LENDERS. Each Revolving Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Revolving Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the

case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be \$5,000,000 or a larger multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) NOTIFICATION OF BIDS BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify the Borrower by teletype of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) ACCEPTANCE OF BIDS BY BORROWER. Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by teletype in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; PROVIDED, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) of this proviso, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) of this proviso, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a principal amount of \$5,000,000 or a larger multiple of \$1,000,000; PROVIDED FURTHER that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) of the first proviso of this paragraph, such Competitive Loan may be in an amount of \$1,000,000 or any multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to such clause (iv) the amounts shall be rounded to multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) NOTIFICATION OF ACCEPTANCES BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify each bidding Lender by teletype whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) BIDS BY ADMINISTRATIVE AGENT. If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. SWINGLINE LOANS.

(a) AGREEMENT TO MAKE SWINGLINE LOANS. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$20,000,000 or (ii) total Revolving Exposure PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Revolving Commitments; PROVIDED that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) INTEREST RATES. Swingline Loans shall be ABR Loans or FFBR Loans, as selected by the Borrower, except that the Swingline Lender and the Borrower may agree that the interest rate in respect of a Swingline Loan made by such Swingline Lender, for a period ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, be at an alternative rate of interest (and with such applicable margins and prepayment premiums) as may from time to time be offered by the Swingline Lender to the Borrower in its sole discretion; PROVIDED that upon any sale pursuant to Section

2.05(d) of participations in any Swingline Loan the interest on which is determined by reference to the Federal Funds Base Rate or any such alternative rate, such Swingline Loans shall automatically be converted into an ABR Loan.

(c) NOTICE OF SWINGLINE LOANS BY BORROWER. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount and type of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f), by remittance to the respective Issuing Lender) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(d) PARTICIPATIONS BY LENDERS IN SWINGLINE LOANS. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice to the Administrative Agent shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above in this paragraph, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

(e) REPLACEMENT OF SWINGLINE LENDER. The Borrower may at any time, and from time to time, request that the then-current Swingline Lender be replaced with another Lender hereunder designated by the Borrower and satisfactory to the Administrative Agent. Any such replacement shall be effected pursuant to a written instrument, in form and substance satisfactory to the Administrative Agent, under which such new Lender agrees to become the "Swingline Lender" hereunder, and the predecessor Swingline Lender is relieved of all of its obligations hereunder as the "Swingline Lender", PROVIDED that in no event shall any such replacement occur unless the principal of and interest on all of the Swingline Loans of the predecessor Swingline Lender shall have been paid in full.

SECTION 2.06. LETTERS OF CREDIT.

(a) GENERAL. Subject to the terms and conditions set forth herein, in addition to the Loans provided for in Section 2.01, the Borrower may request Chase, as an Issuing Lender, to issue, at any time and from time to time during the Revolving Availability Period, Letters of Credit for its own account in such form as is acceptable to such Issuing Lender in its reasonable determination. In addition, First Chicago, as an Issuing Lender, has issued the Qingdao Letter of Credit for the account of the Borrower. Letters of Credit issued hereunder shall constitute utilization of the Revolving Commitments.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the respective Issuing Lender) to the applicable Issuing Lender and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or

extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the respective Issuing Lender, the Borrower also shall submit a letter of credit application on such Issuing Lender's standard form in connection with any request for a Letter of Credit. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Lender relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Upon any modification or renewal or reissuance by First Chicago, as an Issuing Lender, of the Qingdao Letter of Credit, First Chicago shall forthwith notify the Administrative Agent and the Borrower of the new Qingdao Letter of Credit Limit for purposes of this Agreement.

(c) LIMITATIONS ON AMOUNTS. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate LC Exposure of Chase, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed \$20,000,000, (ii) the aggregate LC Exposure of First Chicago, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed the Qingdao Letter of Credit Limit and (iii) the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Revolving Commitments.

(d) EXPIRATION DATE. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date twelve months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, twelve months after the then-current expiration date of such Letter of Credit, so long as such renewal or extension occurs within three months of such then-current expiration date) and (ii) the date that is five Business Days prior to the Maturity Date.

(e) PARTICIPATIONS. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) by either Issuing Lender, and without any further action on the part of such Issuing Lender or the Lenders, such Issuing Lender hereby grants to each Lender, and each Lender hereby acquires from such Issuing Lender, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the respective Issuing Lender, such Lender's Applicable Percentage of each LC Disbursement made by an Issuing Lender promptly upon the request of such Issuing Lender at any time from the time of such LC Disbursement until such LC Disbursement is reimbursed by the Borrower or at any time after any reimbursement payment is required to be refunded to the Borrower for any reason. Each such payment shall be made in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the respective Issuing Lender the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to the next following paragraph, the Administrative Agent shall distribute such payment to respective Issuing Lender or, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse such Issuing Lender, then to such Lenders and such Issuing Lender as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Lender for any LC Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) REIMBURSEMENT. If an Issuing Lender shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such Issuing Lender in respect of such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time, PROVIDED that, if such LC Disbursement is not less than \$100,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in

accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan.

If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof.

(g) OBLIGATIONS ABSOLUTE. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (f) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the respective Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit, and (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Neither the Administrative Agent, the Lenders nor either Issuing Lender, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit by the respective Issuing Lender or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the respective Issuing Lender; PROVIDED that the foregoing shall not be construed to excuse an Issuing Lender from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Lender's negligence or wilful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that:

(i) an Issuing Lender may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) an Issuing Lender shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by an Issuing Lender when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(h) DISBURSEMENT PROCEDURES. The Issuing Lender for any Letter of Credit shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under such Letter of Credit. Such Issuing Lender shall promptly after such examination notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Lender has made or will make an LC Disbursement thereunder; PROVIDED that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Lender and the Lenders with respect to any such LC Disbursement.

(i) INTERIM INTEREST. If the Issuing Lender for any Letter of Credit shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Syndicated Loans; PROVIDED that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (f) of this Section, then Section 2.13(e) shall apply. Interest accrued pursuant to this paragraph shall be for the account of such Issuing Lender, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (f) of this Section to reimburse such Issuing Lender shall be for the account of such Lender to the extent of such payment.

(j) REPLACEMENT OF AN ISSUING LENDER. Either Issuing Lender may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Lender. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Lender pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of the replaced Issuing Lender under this Agreement with respect to Letters of Credit to be issued by it thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to include such successor or any previous Issuing Lender, or such successor and all previous Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(k) CASH COLLATERALIZATION. If either (i) an Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing at least 66-2/3% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, or (ii) the Borrower shall be required to provide cover for LC Exposure pursuant to Section 2.11(d), the Borrower shall immediately deposit into the Collateral Account an amount in cash equal to, in the case of an Event of Default, the LC Exposure as of such date PLUS any accrued and unpaid interest thereon and, in the case of cover pursuant to Section 2.11(d), the amount required under Section 2.11(d); PROVIDED that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VIII. Such deposit shall be held by the Administrative Agent as collateral in the first instance for the LC Exposure under this Agreement and thereafter for the payment of the "Secured Obligations" under and as defined in the Security Agreement.

(l) QINGDAO LETTER OF CREDIT. Anything herein to the contrary notwithstanding, the amount of the Qingdao Letter of Credit for all purposes of this Agreement and the other Loan Documents (including, without limitation, the usage of the Revolving Commitments hereunder, the calculation of fees under Section 2.12 and the obligation of the Revolving Lenders to participate in Letters of Credit arising upon drawings thereunder) shall be deemed to be equal to the Qingdao Letter of Credit Limit and any LC Exposure arising in respect of the Qingdao Letter of Credit in excess of the Qingdao Letter of Credit Limit shall be solely for the account of First Chicago, as an Issuing Lender, and no other Lender shall be obligated to participate in such excess amount, nor shall such excess amount be entitled to the benefits of the Security Documents.

(m) EXISTING LETTERS OF CREDIT. Pursuant to Section 2.04 of the Existing Credit Agreement, Chase, as an "Issuing Bank" thereunder, has issued various "Revolving Letters of Credit" under and as defined in the Existing Credit Agreement and First Chicago, as an "Issuing Bank" thereunder, has issued the "Qingdao Letter of Credit" under and as defined in the Existing Credit Agreement. On the Effective Date, subject to the satisfaction of the conditions to effectiveness of the obligations of the Lenders hereunder set forth in Article V, each of such "Revolving Letters of Credit" and the "Qingdao Letter of Credit" under the Existing Credit Agreement shall automatically, and without any action on the part of any Person, become a Letter of Credit hereunder.

SECTION 2.07. FUNDING OF BORROWINGS.

(a) FUNDING BY LENDERS. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; PROVIDED that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly remitting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; PROVIDED that ABR Revolving Borrowings made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f) shall be remitted by the Administrative Agent to the respective Issuing Lender.

(b) PRESUMPTION BY ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such

amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. INTEREST ELECTIONS.

(a) ELECTIONS BY BORROWER FOR SYNDICATED BORROWINGS. Each Syndicated Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Syndicated Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Syndicated Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) NOTICE OF ELECTIONS. To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Syndicated Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) INFORMATION IN ELECTION NOTICES. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies (including, if applicable, the respective Series of Tranche II Term Loans to which such Interest Election Request relates) and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) NOTICE BY ADMINISTRATIVE AGENT TO LENDERS. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) PRESUMPTION IF NO NOTICE. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Syndicated Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Syndicated Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Syndicated Borrowing may be converted to or continued as a Eurodollar Syndicated Borrowing and (ii) unless repaid, each Eurodollar Syndicated Borrowing shall be converted to an ABR Syndicated Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. TERMINATION AND REDUCTION OF THE COMMITMENTS.

(a) SCHEDULED TERMINATION. Unless previously terminated, (i) the Tranche I Term Loan Commitments shall terminate on the close of business on the Effective Date, (ii) the Tranche II Term Loan Commitments of each Series shall terminate on the Tranche II Term Loan Commitment Termination Date and (iii) the Revolving Commitments shall terminate on the Maturity Date.

(b) VOLUNTARY TERMINATION OR REDUCTION. The Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class (including the Commitments of any Series of Tranche II Term Loans); PROVIDED that (i) each reduction of the Commitments of any Class pursuant to this Section shall be in an amount that is \$3,000,000 or a larger multiple of \$100,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments of any Class if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the total Revolving Exposures of such Class PLUS the aggregate principal amount of outstanding Competitive Loans of such Class would exceed the total Revolving Commitments of such Class.

(c) NOTICE OF TERMINATION OR REDUCTION. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments of any Class under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; PROVIDED that a notice of termination of the Revolving Commitments of any Class delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) EFFECT OF TERMINATION OR REDUCTION. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) REPAYMENT. The Borrower hereby unconditionally promises to pay the Loans outstanding hereunder as follows:

(i) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Revolving Loan of such Lender on the Maturity Date,

(ii) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Tranche I Term Loan of such Lender on each Tranche I Principal Payment Date set forth below in an amount equal to the principal amount set forth opposite such Tranche I Principal Payment Date:

PRINCIPAL PAYMENT DATE	PRINCIPAL AMOUNT
March 1, 1998	\$6,000,000
June 1, 1998	\$6,000,000
September 1, 1998	\$6,000,000
December 1, 1998	\$6,000,000
March 1, 1999	\$6,000,000
June 1, 1999	\$6,000,000
September 1, 1999	\$6,000,000
December 1, 1999	\$6,000,000
March 1, 2000	\$6,000,000
June 1, 2000	\$6,000,000
September 1, 2000	\$6,000,000
December 1, 2000	\$6,000,000
March 1, 2001	\$6,000,000
June 1, 2001	\$6,000,000
September 1, 2001	\$6,000,000
December 1, 2001	\$6,000,000
March 1, 2002	\$6,000,000
June 1, 2002	\$6,000,000
September 1, 2002	\$6,000,000
December 1, 2002	\$6,000,000
March 1, 2003	\$10,000,000
June 1, 2003	\$10,000,000

(iii) to the Administrative Agent for the account of each Tranche II Term Loan Lender of any Series the outstanding principal amount of each Tranche II Term Loan of such Lender of such Series on the respective Tranche II Term Loan Principal Payments Dates for the Tranche II Term Loans of such Series,

(iv) to the Administrative Agent for the account of the respective Lender the then unpaid principal amount of each Competitive Loan of such Lender on the last day of the Interest Period applicable to such Loan, and

(v) to the Swingline Lender the then unpaid principal amount of each

Swingline Loan on the earliest of (A) the Maturity Date, (B) the fifteenth day after such Loan is made (but not earlier than one Business Day after such Swingline Loan is made) and (C) in the case of any Swingline FFBR Loan, the last day of the Interest Period for such Loan; PROVIDED that (i) if any such day is not a Business Day, then the Borrower shall pay such Swingline Loan on the next preceding Business Day and (ii) on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline ABR Loans then outstanding.

(b) MANNER OF PAYMENT. Prior to any repayment or prepayment of any Borrowings of any Class hereunder, the Borrower shall select the Borrowing or Borrowings of such Class to be paid and shall notify the Administrative Agent by telephone (confirmed by teletype) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such payment; PROVIDED that each payment of Borrowings of any Class shall be applied to pay any outstanding ABR Borrowings of such Class before any other Borrowings of such Class. If the Borrower fails to make a timely selection of the Borrowing or Borrowings to be repaid or prepaid, such payment shall be applied, first, to pay any outstanding ABR Borrowings of the applicable Class and, second, to other Borrowings of such Class in the order of the remaining duration of their respective Interest Periods (the Borrowing with the shortest remaining Interest Period to be paid first), and for these purposes, Competitive Bid Loans shall be deemed to be in the same Class as Tranche I Revolving Loans. Each payment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(c) MAINTENANCE OF LOAN ACCOUNTS BY LENDERS. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

Anything herein to the contrary notwithstanding, the Tranche I Term Loans made by each Lender shall be divided into two portions which shall be accounted for separately on the books of such Lender. The first of such portions (the "MORTGAGE PORTION") shall be in a principal amount equal to 2/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (including, without limitation, the Mortgages covering real property of the Obligors in New York) and the second of such portions (the "NON-MORTGAGE PORTION") shall be in a principal amount equal to 138/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (excluding, however, the Mortgages covering real property of the Obligors in New York). Anything in this Agreement to the contrary notwithstanding, all payments and prepayments of the Tranche I Term Loans hereunder shall be deemed to be applied first to Non-Mortgage Portion (until the same shall have been paid in full) and last to the Mortgage Portion.

(d) MAINTENANCE OF LOAN ACCOUNTS BY ADMINISTRATIVE AGENT. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof (including, in the case of Incremental Facility Loans, the respective Series thereof) and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The Administrative Agent shall account for the Mortgage Portions and Non-Mortgage Portions of the Tranche I Term Loans, as described in paragraph (c) above.

(e) EFFECT OF LOAN ACCOUNTS. The entries made in the accounts maintained pursuant to paragraph (c) or (d) of this Section shall be PRIMA FACIE evidence of the existence and amounts of the obligations recorded therein; PROVIDED that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(f) PROMISSORY NOTES. Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. PREPAYMENT OF LOANS.

(a) OPTIONAL PREPAYMENTS. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section, PROVIDED that (i) the aggregate principal amount of any prepayment on any date pursuant to this paragraph shall be at least equal to \$5,000,000 and (ii) the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof. Any prepayment

of a Term Loan Borrowing of any Class pursuant to this paragraph shall be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order.

(b) MANDATORY PREPAYMENTS -- REVOLVING LOANS. The Borrower will from time to time prior to the Maturity Date prepay the Revolving Loans in such amounts as shall be necessary so that, for a period of at least 30 consecutive days at any time during the two fiscal quarters of the Borrower ending on May 31 and August 31 of each fiscal year, the total Revolving Exposures shall not exceed \$60,000,000.

(c) MANDATORY PREPAYMENTS -- ALL LOANS. The Borrower will make prepayments of the Loans hereunder as follows:

(i) CASUALTY EVENTS. Upon the date 180 days following the receipt by the Borrower of the proceeds of insurance, condemnation award or other compensation in respect of any Casualty Event affecting any Property of the Borrower or any of its Subsidiaries (or upon such earlier date as the Borrower or such Subsidiary, as the case may be, shall have determined not to repair or replace the Property affected by such Casualty Event), the Borrower shall prepay the Loans in an aggregate amount, if any, equal to 100% of the Net Available Proceeds of such Casualty Event not theretofore applied to the repair or replacement of such Property, such prepayment to be effected in the manner and to the extent specified in clause (vi) below. Notwithstanding the foregoing, in the event that a Casualty Event shall occur with respect to Property covered by any Mortgage, the Borrower shall, if required by the terms of such Mortgage, prepay the Loans on the dates, and in the amounts, of the required prepayments specified in accordance with such Mortgage. Nothing in this paragraph shall be deemed to limit any obligation of the Borrower or any of its Subsidiaries pursuant to any of the Security Documents to remit to a collateral or similar account maintained by the Administrative Agent pursuant to any of the Security Documents the proceeds of insurance, condemnation award or other compensation received in respect of any Casualty Event.

(ii) EQUITY ISSUANCE. On or prior to the date 90 days after any Equity Issuance, the Borrower shall prepay the Loans in an aggregate amount equal to 50% of the Net Available Proceeds thereof, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (ii) (x) from the first \$1,500,000 Net Available Proceeds during any fiscal year received from the issuance or sale of capital stock in connection with the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan or the Incentive Stock Option Plan or (y) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Equity Issuance that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Equity Issuance (it being understood that, in the event Net Available Proceeds from more than one Equity Issuance are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Equity Issuances occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(iii) EXCESS CASH FLOW. Not later than the date 90 days after the end of each fiscal year of the Borrower ending on or after February 28, 1999 (unless the Debt Ratio is less than or equal to 3.00 to 1 as of the last day thereof), the Borrower shall prepay the Loans in an aggregate amount equal to (A) 50% of Excess Cash Flow for such fiscal year MINUS (B) the aggregate amount of prepayments of Term Loans made during such fiscal year pursuant to Section 2.11(a) and, after the payment in full of the Term Loans, the aggregate amount of voluntary reductions of the Revolving Commitments made during such fiscal year pursuant to Section 2.09(b), such prepayment to be effected in the manner and to the extent specified in clause (vi) of this Section.

(iv) SALE OF ASSETS. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Disposition not otherwise permitted hereunder, in the event that the Net Available Proceeds of any Disposition (herein, the "CURRENT DISPOSITION"), and of all prior Dispositions as to which a prepayment has not yet been made under this paragraph, shall exceed \$15,000,000 then, no later than 180 days after the occurrence of the Current Disposition, the Borrower will deliver to the Lenders a statement, certified by a Financial Officer of the Borrower, in form and detail satisfactory to the Administrative Agent, of the amount of the Net Available Proceeds of the Current Disposition and of all such prior Dispositions and will prepay the Loans in an aggregate amount equal to 100% of the Net Available Proceeds of the Current Disposition and such prior Dispositions, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (iv) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Disposition that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d), or otherwise to reinvest the proceeds thereof into the business of the Borrower and its Subsidiaries,

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions or to make such reinvestment as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) or reinvestment within 180 days of such Disposition (it being understood that, in the event Net Available Proceeds from more than one Disposition are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Dispositions occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 180 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions or make such reinvestment, or does not in fact apply such Net Available Proceeds to one or more Acquisitions or reinvestments within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

Notwithstanding the foregoing, to the extent that the amount of the required prepayment on any date is not greater than \$10,000,000, the Borrower shall not be required to make any prepayment of a Eurodollar or Competitive Borrowing until the expiration(s) of the then-current Interest Periods.

(v) DEBT INCURRENCE. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Debt Incurrence not permitted hereunder, on or prior to the date 90 days after the date of any Debt Incurrence, the Borrower shall prepay the Loans in an aggregate amount equal to the portion of the Net Available Proceeds thereof that exceeds (in the aggregate for all Debt Incurrences after the date hereof) \$50,000,000, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (v) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Debt Incurrence that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Debt Incurrence (it being understood that, in the event Net Available Proceeds from more than one Debt Incurrence are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Debt Incurrence occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as

provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(vi) APPLICATION. Prepayments described in this Section 2.11(c) shall be applied as follows:

FIRST, the amount of any such prepayment shall be applied to the Term Loans allocated ratably among the Classes of Term Loans in accordance with the respective outstanding principal amounts thereof, each such prepayment of the Term Loans of any Class to be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order, and

SECOND, after the payment in full of the Term Loans, to prepay Revolving Loans (without reduction of Revolving Commitments), allocated ratably between Classes of Revolving Loans (and, to the extent that there are at the time any unused Tranche II Term Loan Commitments of any Series, such Commitments shall be concurrently reduced in an amount equal to such prepayment of Revolving Loans).

(d) MANDATORY PREPAYMENTS -- CHANGE OF CONTROL. In the event that the Borrower shall be required pursuant to the provisions of any instrument evidencing or governing any Subordinated Indebtedness to redeem, or make an offer to redeem or repurchase, all or any portion of such Subordinated Indebtedness as a result of a change of control (however defined), then, concurrently with the occurrence of the event giving rise to such change of control, the Borrower shall prepay the Loans (and/or provide cover for LC Exposure as specified in Section 2.06(k)) in full, and the Commitments shall be automatically reduced to zero.

(e) NOTICES, ETC. The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Syndicated Borrowing or a Competitive Bid Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; PROVIDED that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Syndicated Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an aggregate principal amount at least equal to \$5,000,000, except as necessary to apply fully the required amount of a mandatory prepayments. Each prepayment of a Syndicated Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. FEES.

(a) FACILITY FEES. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a facility fee, which shall accrue at the Applicable Rate on the greater of (i) the daily average amount of the Revolving Commitment of each Class of such Lender (whether used or unused) and (ii) such Lender's aggregate Revolving Exposure of such Class, such fee to accrue during the period from and including the date hereof to but excluding the date such Revolving Commitment shall have terminated and the date the Revolving Exposure shall have been reduced to zero.

Accrued facility fees shall be payable on each Quarterly Date and on the date the relevant Commitments have terminated and the relevant Revolving Exposure reduced to zero, commencing on the first such date to occur after the date hereof; PROVIDED that any facility fees accruing after the date on which interest on Loans of the respective Class shall be payable on demand shall similarly be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) LETTER OF CREDIT FEES. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Rate applicable to interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC

Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's respective Revolving Commitments terminate and the date on which such Lender ceases to have any LC Exposure, and (ii) to Chase, as an Issuing Lender, a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements and to the Qingdao Letter of Credit) during the period from and including the Effective Date to but excluding the date on which there ceases to be any LC Exposure, and to each Issuing Lender, such Issuing Lender's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such date to occur after the Effective Date; PROVIDED that all such fees shall be payable on the date on which the respective Revolving Commitments terminate and any such fees accruing after the date on which the respective Revolving Commitments terminate shall be payable on demand. Any other fees payable to either Issuing Lender pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) ADMINISTRATIVE AGENT FEES. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) PAYMENT OF FEES. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the respective Issuing Lender, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. INTEREST.

(a) ABR BORROWINGS. The Loans comprising each ABR Borrowing (other than in respect of Swingline Loans, as to which paragraph (d) below shall apply) shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate.

(b) EURODOLLAR BORROWINGS. The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurodollar Syndicated Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing PLUS the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing PLUS (or MINUS, as applicable) the Margin applicable to such Loan.

(c) FIXED RATE BORROWINGS. Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) SWINGLINE BORROWINGS. Each ABR Borrowing constituting a Swingline Loan shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate. Each Swingline Borrowing the interest on which is determined by reference to the Federal Funds Base Rate for any Interest Period therefor shall bear interest at a rate per annum, for each day during such Interest Period, equal to the Federal Funds Base Rate for such period PLUS the then-applicable "Facility Fee Rate" specified in the definition of "Applicable Rate" in Section 1.01 PLUS the Applicable Rate PLUS .50%. Each Swingline Borrowing the interest on which is determined at an alternate rate of interest as contemplated in Section 2.05(b), shall bear interest at the respective alternate rate of interest so agreed for the period so contemplated by Section 2.05(b).

(e) DEFAULT INTEREST. Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration, by mandatory prepayment or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% PLUS the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% PLUS the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(f) PAYMENT OF INTEREST. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans of any Class, upon termination of the Revolving Commitments of such Class; PROVIDED that (i) interest accrued pursuant to paragraph (e) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the Maturity Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Syndicated Borrowing prior to the end of the current Interest Period therefor, accrued interest on such Borrowing shall be payable on the effective date of such conversion.

(g) COMPUTATION. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) if such Borrowing is of a particular Class of Loans (including of a particular Series of Tranche II Term Loans), the Administrative Agent is advised by the Required Lenders of such Class (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Syndicated Borrowing to, or continuation of any Syndicated Borrowing as, a Eurodollar Syndicated Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Syndicated Borrowing, such Borrowing shall be made as an ABR Syndicated Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; PROVIDED that if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby.

SECTION 2.15. INCREASED COSTS.

(a) INCREASED COSTS GENERALLY. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or either Issuing Lender; or

(ii) impose on any Lender or either Issuing Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lenders of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Lender of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) CAPITAL REQUIREMENTS. If any Lender or either Issuing Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Lender's capital or on the capital of such Lender's or such Issuing Lender's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Lender's policies and the policies of such Lender's or such Issuing Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company for any such reduction suffered.

(c) CERTIFICATES FROM LENDERS. A certificate of a Lender or either Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or such Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and

shall be conclusive absent manifest error. The Borrower shall pay such Lender or such Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) DELAY IN REQUESTS. Failure or delay on the part of any Lender or either Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Lender's right to demand such compensation; PROVIDED that the Borrower shall not be required to compensate a Lender or an Issuing Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender or such Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

(e) COMPETITIVE BID LOANS. Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan, Fixed Rate Loan or Swingline FFBR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Syndicated Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(e) and is revoked in accordance herewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event.

In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, OVER (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period.

In the case of a Swingline FFBR Loan, the loss to the Swingline Lender attributable to any such event shall be deemed to include an amount determined by the Swingline Lender to be equal to the excess, if any, of (i) the Federal Funds Base Rate for the period commencing on the date of such payment to but not including the last day of the Interest Period for such Swingline FFBR Loan, OVER (ii) the Federal Funds Base Rate for such Interest Period.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. TAXES.

(a) PAYMENTS FREE OF TAXES. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; PROVIDED that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) PAYMENT OF OTHER TAXES BY BORROWER. In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or such Issuing Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Lender, shall be conclusive absent manifest error.

(d) RECEIPT FOR PAYMENTS. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) FOREIGN LENDERS. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS, ETC.

(a) PAYMENTS BY OBLIGORS. Each Obligor shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or under Section 2.15, 2.16 or 2.17, or otherwise) or under any other Loan Document (except to the extent otherwise provided therein) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except as otherwise expressly provided in the relevant Loan Document, and except payments to be made directly to an Issuing Lender or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Loan Document (except to the extent otherwise provided therein) shall be made in dollars.

(b) APPLICATION IF PAYMENTS INSUFFICIENT. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) PRO RATA TREATMENT. Except to the extent otherwise provided herein: (i) each Syndicated Borrowing of a particular Class shall be made from the relevant Lenders, each payment of facility fee under Section 2.12 shall be made for account of the relevant Lenders, and each termination or reduction of the amount of the Commitments of a particular Class under Section 2.09 shall be applied to the respective Commitments of such Class of the relevant Lenders, pro rata according to the amounts of their respective Commitments of such Class; (ii) Syndicated Borrowings of any Class shall be allocated pro rata among the relevant Lenders according to the amounts of their respective Commitments of such Class (in the case of the making of Syndicated Loans) or their respective Loans of such Class; (iii) Syndicated Eurodollar Loans of any Class having the same Interest Period shall be allocated pro rata among the relevant Lenders according to the amounts of their Commitments or such Class (in the case of the making of Loans) or their respective Loans of such Class (in the case of conversions and continuations of Loans); (iv) each payment or prepayment of principal of Revolving Loans or Term Loans of a particular Class by the Borrower shall be made for account of the relevant Lenders pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans of such Class held by them; and (v) each payment of interest on Loans of any Class by the

Borrower shall be made for account of the relevant Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

(d) SHARING OF PAYMENTS BY LENDERS. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Syndicated Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Syndicated Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon then due than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Syndicated Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Syndicated Loans and participations in LC Disbursements and Swingline Loans; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Obligor pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Obligor consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Obligor rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Obligor in the amount of such participation.

(e) PRESUMPTIONS OF PAYMENT. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Lender, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or such Issuing Lender, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) CERTAIN DEDUCTIONS BY ADMINISTRATIVE AGENT. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(e) or (f), 2.07(b) or 2.18(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(g) EXERCISES OF REMEDIES BY LENDERS. Anything in this Agreement to the contrary notwithstanding (including Section 10.08), each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement (including, without limitation, exercising any rights of off-set) without first obtaining the prior written consent of the Administrative Agent or the Required Lenders, it being the intent of the Lenders that any such action to protect or enforce rights under this Agreement shall be taken in concert and at the direction or with the consent of the Administrative Agent or the Required Lenders and not individually by a single Lender.

SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) DESIGNATION OF DIFFERENT LENDING OFFICE. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) REPLACEMENT OF LENDERS. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any

Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, each Issuing Lender and the Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

GUARANTEE

SECTION 3.01 GUARANTEE. The Subsidiary Guarantors hereby jointly and severally guarantee to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to the Borrower, all indebtedness of the Borrower to any of the Lenders (or any affiliate thereof) in respect of Hedging Agreements, and all other amounts from time to time owing to the Lenders or the Administrative Agent by the Borrower under this Agreement and by any Obligor under any of the other Loan Documents, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the "GUARANTEED OBLIGATIONS"). The Subsidiary Guarantors hereby further jointly and severally agree that if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Subsidiary Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02 OBLIGATIONS UNCONDITIONAL. The obligations of the Subsidiary Guarantors under Section 3.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrower under this Agreement or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. In full recognition and in furtherance of the foregoing, each Subsidiary Guarantor agrees that:

(a) Without affecting the enforceability or effectiveness of Section 3.01 in accordance with its terms and without affecting, limiting, reducing, discharging or terminating the liability of such Subsidiary Guarantor, or the rights, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, the Administrative Agent and the Lenders may, at any time and from time to time and without notice or demand of any kind or nature whatsoever:

(i) amend, supplement, modify, extend, renew, waive, accelerate or otherwise change the time for payment or performance of, or the terms of, all or any part of the Guaranteed Obligations (including any increase or decrease in the rate or rates of interest on all or any part of the Guaranteed Obligations);

(ii) amend, supplement, modify, extend, renew, waive or otherwise change, or enter into or give, any Loan Document or any agreement, security document, guarantee, approval, consent or other instrument with respect to all or any part of the Guaranteed Obligations, any Loan Document or any such other instrument or any term or provision of the foregoing (it being understood that this clause (ii) shall not be

deemed to constitute a consent by any Subsidiary Guarantor to any such amendment with respect to any Loan Document to which it is a party);

(iii) accept or enter into new or additional agreements, security documents, guarantees (including letters of credit) or other instruments in addition to, in exchange for or relative to any Loan Document, all or any part of the Guaranteed Obligations or any collateral now or in the future serving as security for the Guaranteed Obligations;

(iv) accept or receive (including from any other Subsidiary Guarantor) partial payments or performance on the Guaranteed Obligations (whether as a result of the exercise of any right, remedy, power or privilege or otherwise);

(v) accept, receive and hold any additional collateral for all or any part of the Guaranteed Obligations (including from any other Guarantor);

(vi) release, reconvey, terminate, waive, abandon, allow to lapse or expire, fail to perfect, subordinate, exchange, substitute, transfer, foreclose upon or enforce any collateral, security documents or guarantees (including Letters of Credit or the obligations of any other Subsidiary Guarantor) for or relative to all or any part of the Guaranteed Obligations;

(vii) apply any collateral or the proceeds of any collateral or guarantee (including any Letter of Credit or the obligations of any other Subsidiary Guarantor) to all or any part of the Guaranteed Obligations in such manner and extent as the Administrative Agent or any Lender may in its discretion determine;

(viii) release any Person (including any other Subsidiary Guarantor) from any personal liability with respect to all or any part of the Guaranteed Obligations;

(ix) settle, compromise, release, liquidate or enforce upon such terms and in such manner as the Administrative Agent or the Lenders may determine or as applicable law may dictate all or any part of the Guaranteed Obligations or any collateral on or guarantee (including any Letter of Credit issued with respect to) of all or any part of the Guaranteed Obligations;

(x) consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of the Borrower or any other Person (including any other Subsidiary Guarantor);

(xi) proceed against the Borrower, such or any other Subsidiary Guarantor or any other guarantor of (including any issuer of any letter of credit issued with respect to) all or any part of the Guaranteed Obligations or any collateral provided by any Person and exercise the right, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, or otherwise in such order and such manner as the Administrative Agent or any Lender may, in its discretion, determine, without any necessity to proceed upon or against or exhaust any collateral, right, remedy, power or privilege before proceeding to call upon or otherwise enforce Section 3.01 as to any Subsidiary Guarantor;

(xii) foreclose upon any deed of trust, mortgage or other instrument creating or granting liens on any interest in real property by judicial or nonjudicial sale or by deed in lieu of foreclosure, bid any amount or make no bid in any foreclosure sale or make any other election of remedies with respect to such liens or exercise any right of set-off;

(xiii) obtain the appointment of a receiver with respect to any collateral for all or any part of the Guaranteed Obligations and apply the proceeds of such receivership as the Administrative Agent or any Lender may in its discretion determine (it being agreed that nothing in this clause (xiii) shall be deemed to make the Administrative Agent or any Lender a party in possession in contemplation of law, except at its option);

(xiv) enter into such other transactions or business dealings with any other Subsidiary Guarantor, the Borrower, any Subsidiary or Affiliate of the Borrower or any other guarantor of all or any part of the Guaranteed Obligations as the Administrative Agent or any Lender may desire; and

(xv) do all or any combination of the actions set forth in this Section.

(b) The enforceability and effectiveness of this Article and the liability of the Subsidiary Guarantors, and the rights remedies, powers and privileges of the Administrative Agent and the Lenders, under this Agreement or any other agreement or instrument referred to herein or therein, shall not be affected, limited, reduced, discharged or terminated, and each Subsidiary Guarantor hereby expressly waives any defense now or in the future arising, by reason of:

(i) the illegality, invalidity, irregularity, authenticity, or unenforceability of all or any part of the Guaranteed Obligations, this Agreement or any other agreement or instrument referred to herein or therein, or any agreement, security document, guarantee or other instrument relative to all or any part of the Guaranteed Obligations;

(ii) any disability or other defense of the Borrower or any other Subsidiary Guarantor with respect to all or any part of the Guaranteed Obligations or any other guarantor of all or any part of the Guaranteed Obligations (including any issuer of any letters of credit), including the effect of any statute of limitations that may bar the enforcement of all or any part of the Guaranteed Obligations or the obligations of any such other guarantor;

(iii) the illegality, invalidity, irregularity, authenticity or unenforceability of any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations or the lack of perfection or continuing perfection or failure of the priority of any lien on any collateral for all or any part of the Guaranteed Obligations;

(iv) the cessation, for any cause whatsoever, of the liability of the Borrower or any other Subsidiary Guarantor (other than subject to Section 3.05, by reason of the full payment and performance of all Guaranteed Obligations);

(v) any failure of the Administrative Agent or any Lender to marshal assets in favor of the Borrower or any other Person (including any other Subsidiary Guarantor), to exhaust any collateral for all or any part of the Guaranteed Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any other Subsidiary Guarantor, the Borrower, any other guarantor, all or any part of the Guaranteed Obligations (including either Issuing Lender in respect of Letters of Credit) or any other Person or to take any action whatsoever to mitigate or reduce such or any other Subsidiary Guarantor's liability under this Article, neither the Administrative Agent nor any Lender being under any obligation to take any such action notwithstanding the fact that all or any part of the Guaranteed Obligations may be due and payable and that the Borrower may be in default of its obligations under this Agreement or any other agreement or instrument referred to herein or therein;

(vi) any failure of the Administrative Agent or any Lender to give notice after any Default of sale or other disposition of any collateral (including any notice of any judicial or nonjudicial foreclosure or sale of any interest in real property serving as collateral for all or any part of the Guaranteed Obligations) for all or any part of the Guaranteed Obligations to the Borrower, any Subsidiary Guarantor or any other Person or any defect in, or any failure by any Subsidiary Guarantor or any other Person to receive, any notice that may be given in connection with any sale or disposition of any collateral;

(vii) any failure of the Administrative Agent or any Lender to comply with applicable laws in connection with the sale or other disposition of any collateral for all or any part of the Guaranteed Obligations, including any failure to conduct a commercially reasonable sale or other disposition of any collateral for all or any part of the Guaranteed Obligations;

(viii) any judicial or nonjudicial foreclosure or sale of, or other election of remedies with respect to, any interest in real property or other collateral serving as security for all or any part of the Guaranteed Obligations, even though such foreclosure, sale or election of remedies may impair the subrogation rights of any Subsidiary Guarantor or may preclude any Subsidiary Guarantor from obtaining reimbursement, contribution, indemnification or other recovery from any other Subsidiary Guarantor, the Borrower any other guarantor or any other Person and even though the Borrower may not, as a result of such foreclosure, sale or election of remedies, be liable for any deficiency;

(ix) any benefits the Borrower, any Subsidiary Guarantor or any other guarantor may otherwise derive from Sections 580(a), 580(b), 580(d) or 726 of the California Code of Civil Procedure or any comparable provisions of the laws of any other jurisdiction;

(x) any act or omission of the Administrative Agent, any Lender or any other person that directly or indirectly results in or aids the discharge or release of the Borrower or any other Subsidiary Guarantor, of all or any part of the Guaranteed Obligations or any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations by operation of law or otherwise;

(xi) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's principal obligation;

(xii) the possibility that the obligations of the Borrower to the Administrative Agent and the Lenders may at any time and from time to time exceed the aggregate liability of the Subsidiary Guarantors under this Article;

(xiii) any counterclaim, set-off or other claim which the Borrower or any other Subsidiary Guarantor has or alleges to have with respect to all or any part of the Guaranteed Obligations;

(xiv) any failure of the Administrative Agent or any Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person;

(xv) the election by the Administrative Agent or any Lender, in a bankruptcy proceeding of any Person, of the application or nonapplication of Section 1111(b)(2) of the United States Bankruptcy Code;

(xvi) any extension of credit or the grant of any lien under Section 364 of the United States Bankruptcy Code;

(xvii) any use of cash collateral under Section 363 of the United States Bankruptcy Code;

(xviii) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person;

(xix) the avoidance of any lien in favor of the Administrative Agent or any Lender for any reason;

(xx) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any part of the Guaranteed Obligations (or any interest on all or any part of the Guaranteed Obligations) in or as a result of any such proceeding;

(xxi) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, including by reason of Sections 2809, 2810, 2819, 2839, 2845, 2850, 2899, 3275 and 3433 of the California Civil Code, and any future judicial decisions or legislation or of any comparable provisions of the laws of any other jurisdiction; or

(xxiii) diligence, presentment, demand of payment, protest and all notices whatsoever.

(c) Each Subsidiary Guarantor represents and warrants to the Administrative Agent that it has established adequate means of obtaining financial and other information pertaining to the business, operations and condition (financial and otherwise) of the Borrower and its properties on a continuing basis and that such Subsidiary Guarantor is now and will in the future remain fully familiar with the business, operations and condition (financial and otherwise) of the Borrower and its properties. Each Subsidiary Guarantor further represents and warrants that it has reviewed and approved this Agreement and the related Loan Documents and is fully familiar with the transactions contemplated by such Loan Documents and that it will in the future remain fully familiar with such transaction and with any new Loan Documents and the transaction contemplated by such Loan Documents. Each Subsidiary Guarantor hereby expressly waives and relinquishes any duty on the part of the Administrative Agent or the Lenders (should any such duty exist) to disclose to such or any other Subsidiary Guarantor any matter of fact or other information related to the business, operations or condition (financial or otherwise) of the Borrower or its properties or to any Loan Documents or the transactions undertaken pursuant to, or contemplated by, such Loan Documents, whether now or in the future known by the Administrative Agent or any Lender.

SECTION 3.03 REINSTATEMENT. The obligations of the Subsidiary Guarantors under this Article shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder

of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Subsidiary Guarantors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04 SUBROGATION. Each Subsidiary Guarantor hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of any payment by it pursuant to the provisions of this Article and further agrees with the Borrower for the benefit of each of its creditors (including, without limitation, each Lender and the Administrative Agent) that any such payment by it shall, to the fullest extent permitted by law, constitute a dividend on the common stock of such Subsidiary Guarantor owned by the Borrower or a return of capital paid by such Subsidiary Guarantor to the Borrower and, otherwise, an investment in the equity capital of the Borrower by such Subsidiary Guarantor. Each Subsidiary Guarantor understands that, by reason of the foregoing provisions of this Section, the exercise by the Administrative Agent or any Lender of the rights, remedies, powers and privileges that it has under this Article and under the other Loan Documents will result in nonreimbursable liabilities under this Agreement. Nevertheless, each Subsidiary Guarantor hereby authorizes and empowers the Administrative Agent and the Lenders to exercise, in its or their sole discretion, any combination of such rights, remedies, powers and privileges as they, in their sole discretion, shall deem appropriate.

SECTION 3.05 REMEDIES. The Subsidiary Guarantors jointly and severally agree that, as between the Subsidiary Guarantors and the Lenders, the obligations of the Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article VIII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VIII) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of Section 3.01.

SECTION 3.06 CONTINUING GUARANTEE. The guarantee in this Article is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.07 LIMITATION ON GUARANTEE OBLIGATIONS. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Subsidiary Guarantor under Section 3.01 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Subsidiary Guarantor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within each Obligor's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by each Obligor and constitutes, and each of the other Loan Documents to which it is a party when executed and delivered by such Obligor will constitute, a legal, valid and binding obligation of such Obligor, enforceable against each Obligor in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting

the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) such as have been obtained or made and are in full force and effect and (ii) filings and recordings in respect of the Liens created pursuant to the Security Documents, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) except for the Liens created pursuant to the Security Documents, will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders' equity and cash flows (i) as of and for the fiscal year ended February 28, 1997, reported on by Arthur Andersen LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended August 31, 1997, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) of the first sentence of this paragraph.

(b) Since February 28, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole.

SECTION 4.05. PROPERTIES.

(a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal Properties material to its business, subject only to Liens permitted by Section 7.02 and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such Properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.06. LITIGATION.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 4.07. ENVIRONMENTAL MATTERS. Each of the Borrower and its Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except as set forth in Schedule III hereto and except to the extent failure to have any such permit, license or authorization would not (either individually or in the aggregate) have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each of the Borrower and its Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except as set forth in Schedule III hereto and except to the extent failure to comply therewith would not (either individually or in the aggregate) have a Material Adverse Effect.

In addition, except as set forth in Schedule III:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any Release of any Hazardous Materials generated by the Borrower or any of its Subsidiaries, in each case in circumstances which may reasonably be expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any of its Subsidiaries owns, operates or leases a treatment, storage or disposal facility requiring a permit under the Resource Conservation and Recovery Act of 1976, as amended, or under any comparable state or local statute; and

(i) no polychlorinated biphenyls (PCB's) are or have been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(ii) no asbestos or asbestos-containing materials is or has been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iii) there are no underground storage tanks or surface impoundments for Hazardous Materials, active or abandoned, at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iv) no Hazardous Materials have been Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries in a reportable quantity established by statute, ordinance, rule, regulation or order; and

(v) no Hazardous Materials have been otherwise Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

that, in the case of any of clauses (i) through (v) above, may reasonably be expected to have a Material Adverse Effect.

(c) Neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location that is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. Section 300.5 ("CERCLIS"), or on any similar state or local list or that is the subject of Federal, state or local enforcement actions or other investigations that may lead to Environmental Claims in a material amount against the Borrower or any of its Subsidiaries.

(d) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Borrower or any of its Subsidiaries and no site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries is listed or proposed for listing on the NPL, CERCLIS or any similar state list of sites requiring investigation or clean-up.

(e) No Liens have arisen under or pursuant to any Environmental Laws on any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries, and no government action has been taken or is in process that could subject any such site or facility to such Liens and neither the Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any site or facility owned by it in any deed to the real Property on which such site or facility is located.

(f) All environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the Borrower or any of its Subsidiaries in relation to facts, circumstances or conditions at or affecting any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries and that could result in a Material Adverse Effect have been made available to the Lenders.

SECTION 4.08. COMPLIANCE WITH LAWS AND AGREEMENTS. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its Property and all indentures, agreements and other instruments binding upon it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be

expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 4.09. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.10. TAXES. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.11. ERISA. The Borrower and its ERISA Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than to make contributions, pay annual PBGC premiums or pay out benefits in the ordinary course of business).

SECTION 4.12. DISCLOSURE. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Obligors to the Lender in connection with the negotiation of this Agreement and the other Loan Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 4.13. USE OF CREDIT. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of any extension of credit hereunder will be used to buy or carry any Margin Stock.

SECTION 4.14. MATERIAL AGREEMENTS AND LIENS.

(a) Part A of Schedule II is a complete and correct list of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Borrower or any of its Subsidiaries outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$200,000, and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of Schedule II.

(b) Part B of Schedule II is a complete and correct list of each Lien securing Indebtedness of any Person outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$250,000 and covering any Property of the Borrower or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the Property covered by each such Lien is correctly described in Part B of Schedule II.

SECTION 4.15. CAPITALIZATION. The authorized capital stock of the Borrower consists, as at November 30, 1997, of an aggregate of 81,000,000 shares consisting of (i) 60,000,000 shares of Class A common stock, par value \$.01 per share, of which 15,377,187 shares are duly and validly issued and outstanding and 2,199,320 shares are issued and held in treasury, each of which shares is fully paid and nonassessable, (ii) 20,000,000 shares of Class B common stock, par value \$.01 per share, of which 3,330,458 shares are duly and validly issued and outstanding and 625,725 shares are issued and held in treasury, each of which shares is fully paid and nonassessable and (iii) 1,000,000 shares of preferred stock, par value \$.01 per share, none of which are issued or are outstanding.

As at November 30, 1997, 12.13% of such issued and outstanding shares of Class A common stock and 85.22% of such issued and outstanding shares of Class B common stock are owned beneficially and of record by (i) Marvin Sands, his spouse, his children or his grandchildren, (ii) trusts which are for the benefit of Marvin Sands, his spouse, his children or his grandchildren or Andrew Stern, which trusts are under the control of Marvin Sands, his spouse, his children or his grandchildren or (iii) partnerships which are controlled by (and a majority

in interest of the partnership interests in which are owned by) Marvin Sands, his spouse, his children, his grandchildren, by a trust referred to in the foregoing clause (ii) or by a partnership that satisfies the conditions of this clause (iii). The percentage of Class A common stock set forth above does not include shares of Class A common stock (i) that may be acquired by Marvin Sands or his children through the exercise of any stock options or (ii) issuable pursuant to the conversion feature of the Class B common stock owned beneficially and of record by any of the persons, trusts and partnerships referred to in the foregoing clauses (i), (ii) and (iii).

As of the date hereof, (x) except for conversion rights associated with the Class B common stock, purchase rights associated with the Employee Stock Purchase Plan, options associated with the Long-Term Stock Incentive Plan and options listed on Schedule V hereto, there are no outstanding Equity Rights with respect to the Borrower and (y) there are no outstanding obligations of the Borrower or any of its Subsidiaries to repurchase, redeem, or otherwise acquire any shares of capital stock of the Borrower nor, are there any outstanding obligations of the Borrower or any of its Subsidiaries to make payments to any Person, such as "phantom stock" payments, where the amount thereof is calculated with reference to the fair market value or equity value of the Borrower or any Subsidiary. The Borrower has heretofore delivered to the Administrative Agent a complete and correct copy of the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan and the Incentive Stock Option Plan, each as in effect on the date hereof.

SECTION 4.16. SUBSIDIARIES AND INVESTMENTS, ETC.

(a) Set forth in Part A of Schedule IV is a complete and correct list of all of the Subsidiaries of the Borrower as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such Person and the percentage of ownership of such Subsidiary represented by such ownership interests. Except as disclosed in Part A of Schedule IV, (x) each of the Borrower and its Subsidiaries owns, free and clear of Liens (other than Liens created pursuant to the Security Documents), and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it in Part A of Schedule IV, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) there are no outstanding Equity Rights with respect to such Person.

(b) Set forth in Part B of Schedule IV is a complete and correct list of all Investments (other than Investments disclosed in Part A of Schedule IV and other than Investments of the types referred to in clauses (b), (c), (e) or (g) of Section 7.04) held by the Borrower or any of its Subsidiaries in any Person on the date hereof and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in Part B of Schedule IV, each of the Borrower and its Subsidiaries owns, free and clear of all Liens (other than Liens created pursuant to the Security Documents), all such Investments.

(c) None of the Subsidiaries of the Borrower is, on the date hereof, subject to any indenture, agreement, instrument or other arrangement of the type described in Section 7.07 (and not permitted by clauses (i) through (v) of said Section).

SECTION 4.17. REAL PROPERTY. Except with respect to leased space which does not cost in excess of \$25,000 per month in rental expense, set forth in Schedule VI is a list, as of the date of this Agreement, of all the real Property interests held by the Borrower and its Subsidiaries, indicating in each case whether the respective Property is owned or leased, the identity of the owner or lessee and the location of the respective Property.

ARTICLE V

CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective until the date on which the Administrative Agent shall have received each of the following documents, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to each Lender) in form and substance (or such condition shall have been waived in accordance with Section 10.02):

(a) EXECUTED COUNTERPARTS. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) OPINION OF COUNSEL TO THE OBLIGORS. Favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the

Effective Date) of (i) Nixon, Hargrave, Devans & Doyle LLP, counsel for the Obligors, substantially in the form of Exhibit D-1, (ii) Landels, Ripley and Diamond, LLP, special California counsel for the Obligors, substantially in the form of Exhibit D-2 and (iii) Fulton, Hubbard & Hubbard, special Kentucky counsel for the Obligors, substantially in the form of Exhibit D-3, and in each case covering such other matters relating to the Obligors, this Agreement, any other Loan Document or the Transactions as the Required Lenders shall reasonably request (and each Obligor hereby requests each such counsel to deliver such opinion to the Lenders).

(c) OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE. An opinion, dated the Effective Date, of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, substantially in the form of Exhibit E (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(d) CORPORATE DOCUMENTS. Such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Obligor, the authorization of the Transactions and any other legal matters relating to the Obligors, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in the lettered clauses of the first sentence of Section 5.03.

(f) SECURITY AGREEMENT. The Security Agreement, duly executed and delivered by the Borrower, the Subsidiary Guarantors and the Administrative Agent and the certificates identified under the name of such Obligor in Annex 1 thereto, in each case accompanied by undated stock powers executed in blank. In addition, each Obligor shall have taken such other action (including, without limitation, delivering to the Administrative Agent, for filing, appropriately completed and duly executed copies of Uniform Commercial Code financing statements) as the Administrative Agent shall have requested in order to perfect the security interests created pursuant to the Security Agreement.

(g) MORTGAGES; TITLE INSURANCE; ETC.. The following documents each of which shall be executed (and, where appropriate, acknowledged) by Persons satisfactory to the Administrative Agent:

(i) with respect to each Mortgage, an instrument of Modification and Confirmation pursuant to which such Mortgage shall have been amended in form and substance satisfactory to the Administrative Agent to spread the Lien thereof to secure the obligations under this Agreement, in each case duly executed, acknowledged and delivered by the respective parties thereto, in recordable form (in such number of copies as the Administrative Agent shall have requested); and

(ii) mortgagee down-date continuation reports for existing title policies issued pursuant to the Existing Credit Agreement, subject only to such exceptions as are satisfactory to each Lender and, to the extent necessary under applicable law, for filing in the appropriate county land offices, Uniform Commercial Code financing statements covering fixtures, in each case appropriately completed and duly executed.

In addition, the Borrower shall have paid to the respective title companies all expenses of such title companies in connection with the issuance of the down-date continuation reports and in addition shall have paid to such title companies an amount equal to the recording and stamp taxes payable in connection with recording the respective instruments of Modification and Confirmation in the appropriate county land offices.

(h) INSURANCE. Certificates of insurance evidencing the existence of all insurance required to be maintained by the Borrower pursuant to Section 6.05(b) and the designation of the Administrative Agent as the loss payee or additional named insured, as the case may be, thereunder to the extent required by Section 6.05(b), such certificates to be in such form and contain such information as is specified in Section 6.05(b). In addition, the Borrower shall have delivered (i) a certificate of a Financial Officer of the Borrower setting forth the insurance obtained by it in accordance with the requirements of Section 6.05(b) and stating that such insurance is in full force and effect and that all premiums then due and payable thereon have been paid and (ii) a written report, dated reasonably near the Effective Date, of Johnson & Higgins and Accordia of the South, Inc., or any other firm of independent insurance brokers of nationally recognized standing, as to such insurance and stating that, in their opinion, such insurance adequately protects the interests of the Administrative Agent and the Lenders and is in compliance with the provisions of Section 6.05(b).

(i) ENVIRONMENTAL MATTERS. An environmental risk questionnaire with respect to each of the existing sites and facilities that are owned,

operated or leased by the Borrower or any of its Subsidiaries and covered by environmental surveys and assessments delivered pursuant to the Existing Credit Agreement, and such environmental questionnaire (containing such inquiries with respect to environmental matters as shall have been requested by any Lender), and the responses thereto, shall be in form and substance satisfactory to the Administrative Agent. In addition if requested by any Lender, the Borrower shall have provided to the Administrative Agent an environmental assessment prepared by a firm of environmental consultants (familiar with the identification of toxic and hazardous substances), in form and substance satisfactory to the Administrative Agent, based upon physical on-site inspections by such firm of the existing sites and facilities owned, operated or leased by the Borrower or any of its Subsidiaries, as well as a historical review of the uses of such sites and facilities and of the business and operations of the Borrower or any of its Subsidiaries (including any former Subsidiaries or divisions of the Borrower or any of its Subsidiaries that have been disposed prior to the date of the assessment and with respect to which the Borrower or any of its Subsidiaries may have retained liability for Environmental Claims).

(j) SOLVENCY ANALYSIS. A certificate from the chief financial officer of the Borrower to the effect that, as of the Effective Date and after giving effect to the initial extension of credit hereunder and to the other transactions contemplated hereby, (i) the aggregate value of all Properties of the Borrower and its Subsidiaries at their present fair saleable value (I.E., the amount which may be realized within a reasonable time, considered to be six months to one year, either through collection or sale at the regular market value, conceiving the latter as the amount which could be obtained for the Property in question within such period by a capable and diligent business person from an interested buyer who is willing to purchase under ordinary selling conditions), exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of the Borrower and its Subsidiaries, (ii) the Borrower and its Subsidiaries will not, on a consolidated basis, have an unreasonably small capital with which to conduct their business operations as heretofore conducted and (iii) the Borrower and its Subsidiaries will have, on a consolidated basis, sufficient cash flow to enable them to pay their debts as they mature.

(k) REPAYMENT OF EXISTING CREDIT AGREEMENT. Evidence that the principal of and interest on, and all other amounts owing in respect of, the Indebtedness (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) under the Existing Credit Agreement shall have been (or shall be simultaneously) paid in full, that any commitments to extend credit thereunder shall have been (or shall be simultaneously) canceled or terminated and that all Guarantees in respect of, and all Liens securing, any such Indebtedness shall have been assigned or transferred to the Administrative Agent hereunder (or arrangements for such assignment or transfer satisfactory to the Administrative Agent shall have been made).

(l) OTHER DOCUMENTS. Such other documents as the Administrative Agent or any Lender or special New York counsel to Chase may reasonably request.

The obligation of any Lender to make its initial extension of credit hereunder is also subject to the payment by the Borrower of such fees as the Borrower shall have agreed to pay to any Lender or the Administrative Agent in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the extensions of credit hereunder (to the extent that statements for such fees and expenses have been delivered to the Borrower).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) on or prior to 3:00 p.m., New York City time, on December 31, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 5.02. SPECIAL CONDITIONS FOR TRANCHE II TERM LOAN BORROWINGS. The obligation of each Lender to make a Tranche II Term Loan of any Series on the occasion of any Tranche II Term Loan Borrowing is subject to the satisfaction of the following additional conditions:

(a) TRANCHE II TERM LOAN AGREEMENT. Each of the Tranche II Term Loan Lenders in respect of such Series, the Borrower and the Administrative Agent shall have executed the Tranche II Term Loan Agreement for such Series pursuant to which such Lenders agree to become obligated in respect of a Tranche II Term Loan Commitment hereunder.

(b) USE OF PROCEEDS. The Borrower shall have delivered to the Administrative Agent a certificate specifying in reasonable detail the

proposed use of the proceeds of such Tranche II Term Loan Borrowing (which use shall comply with the requirements of Section 6.08).

(c) PRO FORMA COMPLIANCE. The Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer of the Borrower setting forth calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating pro forma compliance with Section 7.08 for (i) the four consecutive fiscal quarters most recently ended prior to the proposed date of the Tranche II Term Loan Borrowing and (ii) the current fiscal quarter and each of the next three succeeding fiscal quarters (in each case on a pro forma basis under the assumption that such Tranche II Term Loan Borrowing and any related Acquisition from the proceeds of such Borrowing had been effected on the first day(s) of such respective period(s)).

(d) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents in connection with such Borrower as the Administrative Agent or any of the Tranche II Term Loan Lenders of such Series or special New York counsel to Chase may reasonably request.

SECTION 5.03. EACH CREDIT EVENT. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of each Issuing Lender to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) the representations and warranties of the Borrower set forth in this Agreement, and of each Obligor in each of the other Loan Documents to which it is a party, shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable; and

(b) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in the preceding sentence.

ARTICLE VI

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Arthur Andersen LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, all certified by a Financial Officer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) of this Section, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a

Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth calculations in form and detail satisfactory to the Administrative Agent demonstrating compliance with Sections 7.01(g), 7.04(i), 7.04(j) and 7.08, (iii) setting forth a calculation of the Debt Ratio as at the end of the respective fiscal period (and indicating which Category of Applicable Rate shall become effective upon the delivery of such financial statements as contemplated by the definition of the term "Applicable Rate" in Section 1.01) and (iv) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) of this Section, (i) a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines) and (ii) a calculation setting forth the amount of Excess Cash Flow for the relevant period for which such Excess Cash Flow is to be calculated under Section 2.11(c) (iii);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any of its Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally or to holders of Subordinated Indebtedness generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries, or compliance with the terms of this Agreement and the other Loan Documents, as the Administrative Agent or any Lender may reasonably request.

SECTION 6.02. NOTICES OF MATERIAL EVENTS. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any of its Affiliates that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;

(d) the assertion of any Environmental Claim by any Person against, or with respect to the activities of, the Borrower or any of its Subsidiaries and any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations, other than any Environmental Claim or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect; and

(e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 6.03. EXISTENCE; CONDUCT OF BUSINESS. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; PROVIDED that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.03.

SECTION 6.04. PAYMENT OF OBLIGATIONS. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.05. MAINTENANCE OF PROPERTIES; INSURANCE. The Borrower will, and

will cause each of its Subsidiaries to, (a) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 6.06. BOOKS AND RECORDS; INSPECTION RIGHTS. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 6.07. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.08. USE OF PROCEEDS AND LETTERS OF CREDIT. The proceeds of the Tranche I Revolving Loans will be used solely to (a) repay on the Effective Date Indebtedness owing under the Existing Credit Agreement, (b) provide working capital for the Borrower and its Subsidiaries, (c) make Acquisitions permitted under Section 7.03, (d) pay the expenses relating to the consummation of the transactions contemplated hereby and (e) to provide funds for the other general corporate purposes (including Capital Expenditures) of the Borrower and its Subsidiaries, PROVIDED that, as provided in Section 7.03(d), the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses referred to in said Section. The proceeds of the Tranche I Term Loans will be used solely to repay on the Effective Date Indebtedness owing under the Existing Credit Agreement. The proceeds of the Tranche II Revolving Loans will be used solely to provide working capital for the Borrower and its Subsidiaries. The proceeds of the Tranche II Term Loans will be used solely in connection with Acquisitions permitted under Section 7.03 (excluding, however, the acquisition of vineyard properties), PROVIDED that an aggregate of up to \$50,000,000 of the proceeds of all Tranche II Term Loan Borrowings may be used for general corporate purposes of the Borrower. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X. Letters of Credit will be issued only to support general corporate purposes of the Borrower and its Subsidiaries.

SECTION 6.09. CERTAIN OBLIGATIONS RESPECTING SUBSIDIARIES.

(a) SUBSIDIARY GUARANTORS. The Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries of the Borrower (other than Excluded Entities) are "Subsidiary Guarantors" hereunder. Without limiting the generality of the foregoing, in the event that the Borrower or any of its Subsidiaries shall acquire or form any new Subsidiary after the date hereof that the Borrower or the respective Subsidiary anticipates will not be an Excluded Entity (or, in the event that any Excluded Entity shall cease to be an Excluded Entity), the Borrower or the respective Subsidiary will cause such new Subsidiary (or such Excluded Entity which ceases to be an Excluded Entity) to

(i) become a "Subsidiary Guarantor" hereunder, and an "Obligor" under the Security Agreement pursuant to a Guarantee Assumption Agreement,

(ii) take such action (including delivering such shares of stock, executing and delivering such Uniform Commercial Code financing statements) as shall be necessary to create and perfect valid and enforceable first priority Liens on substantially all of the personal Property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder and

(iii) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to Section 5.01 on the Effective Date or as the Administrative Agent shall have requested.

(b) OWNERSHIP OF SUBSIDIARIES. The Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that each of its Subsidiaries (other than Joint Venture Entities and Inactive Subsidiaries) is a Wholly-Owned Subsidiary. In the event that any additional shares of stock shall be issued by any Subsidiary, the respective Obligor agrees forthwith to deliver to the Administrative Agent pursuant to the Security Agreement the certificates evidencing such shares of stock, accompanied by undated stock powers executed in blank and to take such other action as the Administrative Agent shall request to perfect the security interest created

therein pursuant to the Security Agreement, PROVIDED that, notwithstanding the foregoing, the Obligors shall not be required to pledge more than 66-2/3% of the outstanding shares of voting stock of any Foreign Subsidiary.

ARTICLE VII

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 7.01. INDEBTEDNESS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Part A of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$1,000,000), PROVIDED that in any event the principal of and interest on, and all other amounts owing in respect of Indebtedness under the Existing Credit Agreement (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) shall be repaid in full on the Effective Date;

(c) Subordinated Indebtedness;

(d) Indebtedness of any Subsidiary to the Borrower or any other Subsidiary;

(e) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(f) Guarantees by the Borrower or by any Subsidiary of Indebtedness of any Person (other than the Borrower or any of its Subsidiaries); PROVIDED that the aggregate principal amount of Indebtedness in respect of all such Guarantees shall not exceed \$25,000,000 at any time outstanding; and

(g) other Indebtedness (including Capital Lease Obligations) of the Borrower and its Subsidiaries, PROVIDED that at the time of the creation, incurrence or assumption thereof and at any time after giving effect thereto the aggregate principal amount of such Indebtedness shall not exceed \$40,000,000.

SECTION 7.02. LIENS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any Property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens created pursuant to the Security Documents (and, prior to the Effective Date, Liens securing Indebtedness under the Existing Credit Agreement);

(b) Permitted Encumbrances;

(c) any Lien on any Property or asset of the Borrower or any of its Subsidiaries existing on the date hereof and set forth in Part B of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$500,000); PROVIDED that (i) no such Lien shall extend to any other Property or asset of the Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien upon tangible personal Property acquired after the date hereof by the Borrower or any of its Subsidiaries, which Lien either (A) existed on such Property before the time of its acquisition and was not created in anticipation thereof, or (B) was created solely for the purpose of securing Indebtedness permitted under Section 7.02(e) representing, or incurred to finance, refinance or refund, the cost of such Property; PROVIDED that (i) such Lien is not created in contemplation of or in connection with such acquisition, (ii) such Lien shall not apply to any other Property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition and extensions, renewals and replacements thereof permitted under clause (e) below; and

(e) any extension, renewal or replacement of the foregoing, provided,

however, that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or Property (other than a substitution of like Property).

SECTION 7.03. FUNDAMENTAL CHANGES. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Borrower will not, nor will it permit any of its Subsidiaries to, acquire any business or Property from, or capital stock of, or be a party to any acquisition of, any Person except purchases of inventory and other Property to be sold or used in the ordinary course of business, Investments permitted under Section 7.04 and Capital Expenditures. The Borrower will not, nor will it permit any of its Subsidiaries to, convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its business or Property, whether now owned or hereafter acquired (including, without limitation, receivables and lease-hold interests, but excluding sales and other dispositions of (i) any inventory or other Property sold or disposed of in the ordinary course of business and on ordinary business terms and (ii) other Property so long as the amount of such other Property sold in any single fiscal year by the Borrower and its Subsidiaries shall have a fair market value not in excess of 3% of the Consolidated Tangible Assets as at the first day of such fiscal year).

Notwithstanding the foregoing provisions of this Section:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into: (i) the Borrower if the Borrower shall be the continuing or surviving corporation or (ii) any Wholly-Owned Subsidiary; PROVIDED that in any such transaction, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any such Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its Property (upon voluntary liquidation or otherwise) to the Borrower or a Wholly-Owned Subsidiary of the Borrower;

(c) the Borrower or any Subsidiary of the Borrower may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of the Borrower, the Borrower is the surviving corporation and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary of the Borrower and (ii) after giving effect thereto no Default would exist hereunder;

(d) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) acquire the business or Property from, or capital stock of, or enter into a joint venture with, or be a party to an Acquisition of another Person, so long as at the time thereof and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect; PROVIDED that the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses;

(e) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) sell, lease, transfer or otherwise dispose of the Madera Wine Cellars facility located in Madera, California;

(f) the Borrower may, for the purpose of transferring its jurisdiction of incorporation from Delaware to another state of incorporation, merge with and into a Wholly-Owned Subsidiary in a transaction constituting a tax-free reorganization under 368(a)(1)(F) of the Code, so long as:

(x) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such merger;

(y) such Subsidiary shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which such Subsidiary shall, effective upon such merger, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents); and

(z) such Subsidiary shall deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 hereof upon the Effective Date or as any Lender or the Administrative Agent shall have requested; and

(g) the Borrower may, for the purpose of making itself a Wholly-Owned Subsidiary of a newly-formed holding company (herein the "HOLDING COMPANY"), enter into a transaction of merger or consolidation with another entity or transfer its assets to another entity (such entity, in either

such case, being herein called the "NEW COMPANY"), so long as:

(u) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such transaction (which notice shall specify the manner and timing in which such transaction is to occur);

(v) in such transaction the shareholders of the Borrower shall receive in exchange for the shares of stock in the Borrower held by them immediately prior to such transaction newly-issued shares of stock in the Holding Company representing substantially the same respective percentage ownership interests in the Holding Company as such shareholders held in the Borrower immediately prior to such transaction;

(w) immediately after giving effect to such transaction, the Borrower (or the New Company, as the case may be) shall be a Wholly-Owned Subsidiary of the Holding Company;

(x) in the event that such transaction constitutes a merger with a New Company in which the Borrower is not the surviving entity or such transaction involves the transfer by the Borrower of its assets to a New Company, the New Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the New Company shall, effective upon such transaction, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents);

(y) the Holding Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the Holding Company shall, effective upon such transaction, guarantee all of the obligations of the Borrower (or the New Company, as the case may be) hereunder and under the Security Documents and pledge all of the shares of stock held by it in the Borrower (or the New Company, as the case may be) and shall take such further action as the Administrative Agent shall request to ensure the perfection and priority of any Liens granted by the Holding Company pursuant to such instrument; and

(z) the Holding Company and the Borrower (or the New Company, as the case may be) shall each deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 upon the Effective Date or as any Lender or the Administrative Agent shall have requested.

SECTION 7.04. INVESTMENTS. The Borrower will not, nor will it permit any of its Subsidiaries to, make or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in Part B of Schedule IV;

(b) operating deposit accounts with banks;

(c) Permitted Investments;

(d) Investments by the Borrower and its Wholly-Owned Subsidiaries in the Borrower and its Wholly-Owned Subsidiaries, PROVIDED that the aggregate amount of such Investments in Foreign Subsidiaries, together with the aggregate amount of Investments in Joint Venture Entities under paragraph (i) below, shall not exceed \$20,000,000 at any one time;

(e) Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(f) Investments permitted pursuant to clause (d) of Section 7.03;

(g) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;

(h) the Senior Subordinated Note Guarantees, and any Guarantee of additional Subordinated Indebtedness that complies with the requirements Section 7.09(b);

(i) Investments by the Borrower and its Subsidiaries in Joint Venture Entities (and Investments by Joint Venture Entities in other Persons), PROVIDED that the aggregate amount of such Investments in Joint Venture Entities, together with the aggregate amount of Investments in Foreign Subsidiaries, under paragraph (d) above, shall not exceed \$20,000,000 at any one time; and

(j) additional Investments by the Borrower (excluding, however, Investments in Joint Venture Entities) up to but not exceeding \$15,000,000 at any one time outstanding.

The aggregate amount of an Investment at any one time outstanding for purposes of clauses (d), (i) and (j) above shall be deemed to be equal to (A) the aggregate amount of cash, together with the aggregate fair market value of Property, loaned, advanced, contributed, transferred or otherwise invested that gives rise to such Investment MINUS (B) the aggregate amount of dividends, distributions or other payments received in cash in respect of such Investment; the amount of an Investment shall not in any event be reduced by reason of any write-off of such Investment nor increased by any increase in the amount of earnings retained in the Person in which such Investment is made that have not been dividended, distributed or otherwise paid out.

SECTION 7.05. RESTRICTED PAYMENTS.

(a) The Borrower will not, nor will it permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that the Borrower may (i) declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock, (ii) make Restricted Payments in respect of stock appreciation rights, or other stock-based awards, as contemplated by the Long-Term Stock Incentive Plan so long as no Default shall have occurred and be continuing or would result therefrom, (iii) cancel or terminate any warrants, options or any other rights to acquire any shares of capital stock of the Borrower in exchange for the issuance of any other warrants, options or rights to acquire shares of capital stock of the Borrower, (iv) repurchase its capital stock to the extent provided in paragraph (b) below and (v) declare and make Restricted Payments in cash, subject (in the case of this clause (v)) to the satisfaction of each of the following conditions on the date of such Restricted Payment and after giving effect thereto:

(w) no Default shall have occurred and be continuing;

(x) the aggregate amount of Restricted Payments made during any fiscal year, including the fiscal year ending February 28, 1998, shall not exceed an amount equal to 50% of consolidated net income of the Borrower and its Consolidated Subsidiaries for such fiscal year;

(y) the Debt Ratio for the period of four consecutive fiscal quarters most recently ended prior to the date of any such Restricted Payment shall not exceed 2.00 to 1; and

(z) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not more than 20 Business Days) prior to the date of declaration of any such Restricted Payment, a certificate of a Financial Officer of the Borrower setting forth computations in reasonable detail demonstrating satisfaction of the foregoing conditions as at the date of such certificate and stating that such Financial Officer believes in good faith that none of such conditions will fail to be satisfied on the date of payment of such Restricted Payment,

it being understood that to the extent the conditions specified in the foregoing clauses (w) through (y) are satisfied on the date of declaration of such Restricted Payment by the board of directors of the Borrower, such Restricted Payment may be made at any time within the 60- day period thereafter, regardless of whether such conditions continue to be satisfied.

(b) The Borrower may on any date make any Restricted Payment consisting of a repurchase of its capital stock, PROVIDED that:

(i) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not earlier than the first day of the current fiscal quarter) prior to such date, a certificate of a Financial Officer of the Borrower setting forth an aggregate amount (herein, the "PROPOSED AMOUNT") proposed to be expended by the Borrower in respect of such repurchase and calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating on a pro forma basis that the Borrower would have been in compliance with Section 7.08 during the four quarter period most-recently ended, and during the four-quarter period following the date of such Restricted Payment, in each case after giving effect to Restricted Payments in the Proposed Amount;

(ii) the Borrower will not make Restricted Payments under this paragraph (b) in excess of the Proposed Amount without delivering to the Administrative Agent pursuant to clause (i) above another calculation (with respect to an additional "Proposed Amount") demonstrating pro forma compliance as described in said clause (i) with respect to such additional "Proposed Amount"; and

(iii) the Borrower will not make any Restricted Payment under this paragraph (b) unless at the time thereof, and after giving effect thereto, no Default shall have occurred and be continuing.

(c) Nothing in this Section shall be deemed to prohibit the payment of dividends by any Subsidiary of the Borrower to the Borrower or to any other Subsidiary of the Borrower.

SECTION 7.06. TRANSACTIONS WITH AFFILIATES. The Borrower will not, nor will it permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates; PROVIDED that (x) any Affiliate who is an individual may serve as a director, officer or employee of the Borrower or any of its Subsidiaries and receive reasonable compensation for his or her services in such capacity and (y) the Borrower and its Subsidiaries may enter into transactions (other than extensions of credit by the Borrower or any of its Subsidiaries to an Affiliate) providing for the leasing of Property, the rendering or receipt of services or the purchase or sale of inventory and other Property in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower and its Subsidiaries as the monetary or business consideration which would obtain in a comparable transaction with a Person not an Affiliate.

During any period that the Borrower is a public company regulated by, and required to file regular periodic reports with, the Securities and Exchange Commission, any compensation paid to an executive officer of the Borrower (who is an Affiliate) which has been specifically approved by the board of directors of the Borrower (or by the Compensation Committee of the board of directors of the Borrower) during such period will be deemed to be reasonable for purposes of the foregoing. Notwithstanding the foregoing, the Borrower may enter into so-called split-dollar life insurance agreements with Affiliates substantially in the form of Schedule VII, so long as the aggregate amount of premiums payable by the Borrower during any fiscal year pursuant to such agreements shall not exceed \$2,000,000 in the aggregate.

SECTION 7.07. CERTAIN RESTRICTIONS ON SUBSIDIARIES. The Borrower will not permit any of its Subsidiaries (other than Joint Venture Entities) to enter into, after the date hereof, any indenture, agreement, instrument or other arrangement that, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the incurrence or payment of Indebtedness, the granting of Liens, the declaration or payment of dividends, the making of loans, advances, guarantees or Investments or the sale, assignment, transfer or other disposition of Property; PROVIDED that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing pursuant to the Senior Subordinated Note Indenture (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), or pursuant to any additional Subordinated Indebtedness to the extent that such restrictions are not less favorable to the Borrower than those contained in the Senior Subordinated Note Indenture, (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) as applied to Liens, the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) as applied to Liens, the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 7.08. CERTAIN FINANCIAL COVENANTS.

(a) DEBT RATIO. The Borrower will not permit the Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	4.50 to 1
From 3/1/99 through 2/29/00	4.00 to 1
From 3/1/00 and at all times thereafter	3.50 to 1

(b) SENIOR DEBT RATIO. The Borrower will not permit the Senior Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	3.50 to 1
From 3/1/99 and at	

(c) INTEREST COVERAGE RATIO. The Borrower will not permit the Interest Coverage Ratio to be less than 3.25 to 1 at any time.

(d) FIXED CHARGES RATIO. The Borrower will not permit the Fixed Charges Ratio to be less than 1.00 to 1 as at the last day of any fiscal quarter of each fiscal year.

SECTION 7.09. SUBORDINATED INDEBTEDNESS. The Borrower may after the date hereof incur additional Subordinated Indebtedness subject to the following conditions (each of which shall have been fulfilled in form and substance satisfactory to the Required Lenders):

(a) such Indebtedness shall be subordinated to the obligations of the Borrower to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(b) such Indebtedness shall be an obligation of the Borrower only, and none of its Subsidiaries shall be contingently or otherwise obligated in respect thereof, unless subordinated to the obligations of such Subsidiary to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(c) to the extent required pursuant to Section 2.11(c)(v), proceeds of such Indebtedness shall be applied to prepay Loans in the manner provided in Section 2.11(c)(v);

(d) the terms of such Indebtedness shall not provide for payment of any portion of the principal thereof prior to the date six months after the final maturity of the Loans hereunder;

(e) terms in respect of financial and other covenants, events of default and mandatory prepayments applicable to such Indebtedness shall have been reasonably determined by the Required Lenders to be terms that are at the time customary in the market for subordinated debt being incurred by borrowers, and in transactions, comparable in the reasonable judgment of the Required Lenders to the Borrower and proposed debt issuance (it being understood that the terms in respect of financial and other covenants, events of default and mandatory prepayments included in the Senior Subordinated Note Indenture are, in the judgment of the Required Lenders, comparable to those customary in such market);

(f) at the time of issuance of such Indebtedness, and after giving effect thereto, the Borrower shall be in compliance with Section 7.08 (the determination of such ratios to be calculated under the assumption that such Indebtedness was issued, at the beginning of the respective period and that any other Indebtedness to be retired with the proceeds thereof was in fact retired on such date of issuance), and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect setting forth in reasonable detail the computations necessary to determine such compliance; and

(g) at the time of such issuance, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer to such effect.

Neither the Borrower nor any of its Subsidiaries shall purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Subordinated Indebtedness, except that the Borrower may (i) make payments on the regularly-scheduled payment dates with respect to the principal of and interest on the Subordinated Indebtedness as in effect on the date hereof (or, as to any Subordinated Indebtedness issued after the date hereof, as originally in effect), and (ii) so long as no Default shall have occurred and be continuing (or will occur as a result of such payment), from the proceeds of Subordinated Indebtedness issued in accordance with the first paragraph of this Section, redeem Subordinated Indebtedness that is being refinanced as contemplated in clause (c) of the first paragraph of this Section. Neither the Borrower nor any of its Subsidiaries will consent to any modification, supplement or waiver of any of the provisions of any Subordinated Indebtedness without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.10. MODIFICATIONS OF CERTIFICATE OF INCORPORATION. Notwithstanding the provisions of clause (f) or (g) of Section 7.03, the

Borrower will not modify or supplement its Certificate of Incorporation as in effect on the date hereof in any manner adverse to the interests of the Lenders without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.11. INVENTORY LOCATED IN OFF-PREMISES WAREHOUSES. The Borrower will not, nor will it permit any of its Subsidiaries to, maintain inventory at Off-Premises Warehouses in an amount in excess of \$50,000,000 (as to the Borrower and all Subsidiaries) at any time unless the Borrower or such Subsidiary has taken such steps as are necessary to ensure that the Administrative Agent has a valid prior perfected security interest in such inventory (including, without limitation, the filing of an appropriate uniform commercial code financing statement in the respective jurisdiction in which such inventory is located naming the Borrower or such Subsidiary as "secured party" and the delivery of satisfactory evidence that such an arrangement constitutes a consignment or first priority perfected security interest under applicable law and that such security interest has been validly assigned to the Administrative Agent under the Security Agreement).

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or under any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of two or more Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall prove to have been incorrect when made or deemed made in any material respect;

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.02, 6.03 (with respect to the Borrower's existence) or 6.09 or in Article VII;

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or any other Loan Document and such failure shall continue unremedied for a period of 45 or more days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;

(f) the Borrower or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; PROVIDED that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the Property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any of its Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in excess of \$500,000 in the aggregate (exclusive of judgment amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$5,000,000 in the aggregate (regardless of insurance coverage) shall be rendered against the Borrower or any of its Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any of its Subsidiaries to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a reasonable basis shall exist for the assertion against the Borrower or any of its Subsidiaries of (or there shall have been asserted against the Borrower or any of its Subsidiaries) claims or liabilities, whether accrued, absolute or contingent, based on or arising from the generation, storage, transport, handling or disposal of Hazardous Materials by the Borrower or any of its Subsidiaries or Affiliates, or any predecessor in interest of the Borrower or any of its Subsidiaries or Affiliates, or relating to any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries or Affiliates, which claims or liabilities (insofar as they are payable by the Borrower or any of its Subsidiaries but after deducting any portion thereof which is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor), in the judgment of the Required Lenders are reasonably likely to be determined adversely to the Borrower or any of its Subsidiaries, and the amount thereof is, singly or in the aggregate, reasonably likely to have a Material Adverse Effect;

(n) common stock of the Borrower (after giving effect to the exercise of all outstanding Equity Rights, other than the conversion of shares of Class B common stock into shares of Class A common stock), which in the aggregate represents voting power to elect at least 50% (in number of votes) of the board of directors of the Borrower, shall cease to be owned or otherwise controlled by (i) Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, (ii) trusts for the benefit of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or any trust for the benefit of Andrew Stern, which trusts are under the control of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or (iii) partnerships which are controlled by (and a majority in interest of the partnership interests in which are owned by) Marvin Sands, his children, his grandchildren, any spouse of any of the foregoing persons, by a trust referred to in the foregoing clause (ii) or by any partnership that satisfies the conditions of this clause (iii); or

(o) any Lien created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Administrative Agent, free and clear of all other Liens (other than Liens permitted under Section 7.02 or under the respective Security Documents), or, except for expiration in accordance with its terms, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, or the enforceability thereof shall be contested by any Obligor;

then, and in every such event (other than an event with respect to any Obligor described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii)

declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; and in case of any event with respect to any Obligor described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Lenders hereby irrevocably appoints the Administrative Agent as its agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein and in the other Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein or therein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for an Obligor), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a commercial bank having an office in New York City and capital and surplus of at least \$500,000,000. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Lenders, appoint a successor Administrative Agent meeting the qualifications described above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Except as otherwise provided in Section 10.02(b) with respect to this Agreement, the Administrative Agent may, with the prior consent of the Required Lenders (but not otherwise), consent to any modification, supplement or waiver under any of the Loan Documents, PROVIDED that, without the prior consent of each Lender, the Administrative Agent shall not (except as provided herein or in the Security Documents) release any collateral or otherwise terminate any Lien under any Security Document providing for collateral security, agree to additional obligations being secured by such collateral security (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document, in which event the Administrative Agent may consent to such junior Lien provided that it obtains the consent of the Required Lenders thereto) or alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents, except that no such consent shall be required, and the Administrative Agent is hereby authorized, to release any Lien covering Property that is the subject of either a disposition of Property permitted hereunder or a disposition to which the Required Lenders have consented.

Without the authorization of the Required Lenders, neither the Administrative Agent nor any Lender shall send to the Borrower or the Trustee under the Senior Subordinated Note Indenture any notice of a Default or Event of Default hereunder if such notice would result in a payment block in respect of the Senior Subordinated Notes.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or any Subsidiary Guarantor, to it at 116 Buffalo Street, Canandaigua, New York 14424-1086, Attention of Robert Sands, Esq. (Telecopy No. (716) 394-6017);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention Loan and Agency Services Group (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Elizabeth Iacoviello (Telecopy No. 212-270-6937);

(c) if to either Issuing Lender, to it at such address as may be notified by it to the other parties hereto;

(d) if to the Swingline Lender, to it at such address as may be notified by it to the other parties hereto; and

(e) if to a Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. WAIVERS; AMENDMENTS.

(a) NO DEEMED WAIVERS; REMEDIES CUMULATIVE. No failure or delay by the Administrative Agent, either Issuing Lender or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Lenders and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Obligor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or either Issuing Lender may have had notice or knowledge of such Default at the time.

(b) AMENDMENTS. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; PROVIDED that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied as between the Lenders or Classes of Loans, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release any Subsidiary Guarantor from any of its guarantee obligations under Article III without the written consent of each Lender; and PROVIDED FURTHER that (x) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, either Issuing Lender or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, and (y) that any modification or supplement of Article III shall require the consent of each Subsidiary Guarantor.

Anything in this Agreement to the contrary notwithstanding, no waiver or modification of any provision of this Agreement that has the effect (either immediately or at some later time) of enabling the Borrower to satisfy a condition precedent to the making of a Revolving Loan, or Tranche II Term Loan of any Series, shall be effective against the Lenders of such Class for purposes of the respective Tranche I Revolving Commitments, Tranche II Revolving Commitments or Tranche II Term Loan Commitments of such Series, as applicable, unless the Required Lenders of such Class shall have concurred with such waiver or modification, and no waiver or modification of any provision of this Agreement or any other Loan Document that could reasonably be expected to adversely affect the Lenders of any Class shall be effective against the Lenders of such Class unless the Required Lenders of such Class shall have concurred with such waiver or modification.

SECTION 10.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) COSTS AND EXPENSES. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by either Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Administrative Agent, either Issuing Lender or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, either Issuing Lender or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents,

including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof and (iv) and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by any Security Document or any other document referred to therein.

(b) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Issuing Lender and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by either Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) REIMBURSEMENT BY LENDERS. To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, an Issuing Lender or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; PROVIDED that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Lender or the Swingline Lender in its capacity as such.

(d) WAIVER OF CONSEQUENTIAL DAMAGES, ETC. To the extent permitted by applicable law, no Obligor shall assert, and each Obligor hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) PAYMENTS. All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.04. SUCCESSORS AND ASSIGNS.

(a) ASSIGNMENTS GENERALLY. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Obligor may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Obligor without such consent shall be null and void), PROVIDED that any merger or consolidation involving any Obligor permitted under Section 7.03 shall not be deemed to be an assignment for purposes of this paragraph (a). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Lenders and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ASSIGNMENTS BY LENDERS. Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); PROVIDED that:

(i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the respective Issuing Lender and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld),

(ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment(s), the amount of the Commitment(s) of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent,

(iii) each partial assignment of the Loans or Commitments of any Class shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement in respect of such Class, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans,

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and

(v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

PROVIDED FURTHER that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VIII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 10.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) MAINTENANCE OF REGISTER BY ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, either Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) EFFECTIVENESS OF ASSIGNMENTS. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) PARTICIPATIONS. Any Lender may, without the consent of the Borrower, the Administrative Agent, either Issuing Lender or the Swingline Lender, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments and the Loans owing to it); PROVIDED that (i) such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Lenders and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to

paragraph (b) of this Section.

(f) LIMITATIONS ON RIGHTS OF PARTICIPANTS. A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) PLEDGES. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; PROVIDED that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) NO ASSIGNMENTS TO OBLIGORS OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan or LC Exposure held by it hereunder to the Borrower or any of its Affiliates or Subsidiaries without the prior consent of each Lender.

SECTION 10.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, either Issuing Lender or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, 3.03 and 10.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Obligor against any of and all the obligations of any Obligor now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) GOVERNING LAW. This Agreement shall be construed in accordance with and

governed by the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. Each Obligor hereby irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, either Issuing Lender or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) WAIVER OF VENUE. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) SERVICE OF PROCESS. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. TREATMENT OF CERTAIN INFORMATION; CONFIDENTIALITY.

(a) TREATMENT OF CERTAIN INFORMATION. The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender and the Borrower hereby authorizes each Lender to share any information delivered to such Lender by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) of this Section as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

(b) CONFIDENTIALITY. Each of the Administrative Agent, the Issuing Lenders and the Lenders agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to bank examiners (or any other regulatory authority having jurisdiction over any Lender or the Administrative Agent), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this paragraph, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (vii) with the consent of the Borrower or (viii) to the

extent such Information (A) becomes publicly available other than as a result of a breach of this paragraph or (B) becomes available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis from a source other than an Obligor. For the purposes of this paragraph, "INFORMATION" means all information received from any Obligor or any of its Subsidiaries or Joint Venture Entities relating to any Obligor, its business or any such Subsidiary or Joint Venture Entity, other than any such information that is available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis prior to disclosure by an Obligor. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Unless specifically prohibited by applicable law or court order, each Lender and the Administrative Agent shall, prior to disclosure thereof, notify the Borrower of any request for disclosure of any Information (A) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or (B) pursuant to legal process, and will permit the Borrower (to the extent the same would not adversely affect such Lender or the Administrative Agent) to pursue available remedies to resist such disclosure and or obtain a protective order limiting such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CANANDAIGUA BRANDS, INC.

By /s/ Thomas S. Summer

Title: Chief Financial Officer

SUBSIDIARY GUARANTORS

BATAVIA WINE CELLARS, INC.
CANANDAIGUA EUROPE LIMITED
CANANDAIGUA WINE COMPANY, INC
ROBERTS TRADING CORP.

By /s/ Thomas S. Summer

Title: Treasurer

BARTON INCORPORATED
BARTON BRANDS, LTD.
BARTON BEERS, LTD.
BARTON BRANDS OF CALIFORNIA, INC.
BARTON BRANDS OF GEORGIA, INC.
BARTON DISTILLERS IMPORT CORP.
MONARCH IMPORT COMPANY
STEVENS POINT BEVERAGE CO.
THE VIKING DISTILLERY, INC.

By /s/ Raymond E. Powers

Title: Treasurer

BARTON FINANCIAL CORPORATION

By /s/ Raymond E. Powers

Title: President

LENDERS

THE CHASE MANHATTAN BANK,
individually, as Swingline Lender
and as Administrative Agent

By /s/ Carol A. Ulmer

Title: Vice President

CREDIT SUISSE FIRST BOSTON

By /s/ Joel Glodowski

Title: Managing Director

By /s/ Daniel R. Wenger

Title: Associate

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Judith L. Mayberry

Title: Authorized Agent

FLEET BANK

By /s/ Martin K. Birmingham

Title: Vice President

THE BANK OF NOVA SCOTIA

By /s/ J. Alan Edwards

Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By /s/ Jim Brown

Title: Vice President

CREDIT AGRICOLE INDOSUEZ

By /s/ W. Leroy Startz

Title: First Vice President

By /s/ Katherine L. Abbott

Title: First Vice President

CREDIT LYONNAIS, NEW YORK BRANCH

By /s/ Vladimir Labun

Title: First Vice President - Manager

MANUFACTURERS AND TRADERS TRUST
COMPANY

By /s/ Philip M. Smith

Title: Regional Senior Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A. "RABOBANK
NEDERLAND", NEW YORK BRANCH

By /s/ Angelo J. Balestrieri

Title: Vice President

By /s/ W. Pieter C. Kodde

Title: Vice President

THE SUMITOMO BANK, LIMITED

By /s/ James Drum

Title: Vice President, NY Office

By /s/ William N. Paty

Title: Vice President and Manager

US TRUST

By /s/ Thomas Z. Macina

Title: Vice President

WELLS FARGO BANK, N.A.

By /s/ Clifford Lawrence

Title: Vice President

CORESTATES BANK, NATIONAL ASSOCIATION

By /s/ Robert A. Brown

Title: Vice President

THE FUJI BANK LIMITED, NEW YORK BRANCH

By /s/ Teljl Teramoto

Title: Vice President & Manager

KEYBANK NATIONAL ASSOCIATION

By /s/ Michael Landini

Title: Vice President

THE LONG TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH

By /s/ Jun Ebihara

Title:

MELLON BANK

By /s/ Peyton R. Latimer

Title: Senior Vice President

MERITA BANK LTD

By /s/ Frank Maffei

Title: Vice President

By /s/ Clifford Abramsky

Title: Vice President

NATIONAL CITY BANK

By /s/ Lisa B. Lisi

Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION

By /s/ Thomas R. Colwell

Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yasuhiro Terada

Title: Senior Vice President

SANWA BANK LTD.

By /s/ Paul Judicke

Title: Vice President

STATE STREET BANK AND TRUST COMPANY

By /s/ Chris Del Signore

Title:

SUMITOMO TRUST & BANKING CO., LTD.,
NEW YORK BRANCH

By /s/ Suraj P. Bhatia

Title: Senior Vice President
Manager, Corporate Finance Dept.

SUNTRUST BANK, ATLANTA

By /s/ Robert V. Honeycutt

Title: Vice President

By /s/ William McEhl

Title: B.O.

TOKAI BANK LTD., NEW YORK BRANCH

By /s/ Kaoru Oda

Title: Assistant General Manager

CREDIT AGREEMENT BETWEEN THE REGISTRANT,
ITS PRINCIPAL OPERATING SUBSIDIARIES, AND CERTAIN BANKS FOR WHICH
THE CHASE MANHATTAN BANK ACTS AS ADMINISTRATIVE AGENT

LIST OF OMITTED SCHEDULES AND EXHIBITS

SCHEDULE I	- Commitments
SCHEDULE II	- Material Agreements and Liens
SCHEDULE III	- Litigation and Environmental Matters
SCHEDULE IV	- Subsidiaries and Investments
SCHEDULE V	- Stock Options
SCHEDULE VI	- Real Property
SCHEDULE VII	- Life Insurance Agreements
EXHIBIT A	- Form of Assignment and Acceptance
EXHIBIT B	- Form of Security Agreement
EXHIBIT C	- Form of Guarantee Assumption Agreement
EXHIBIT D-1	- Form of Opinion of Special Counsel to Obligors
EXHIBIT D-2	- Form of Opinion of California Counsel to Obligors
EXHIBIT D-3	- Form of Opinion of Kentucky Counsel to Obligors
EXHIBIT E	- Form of Opinion of Special New York Counsel to The Chase Manhattan Bank

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CREDIT AGREEMENT

dated as of

December 19, 1997

between

CANANDAIGUA BRANDS, INC.

The SUBSIDIARY GUARANTORS Party Hereto

The LENDERS Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

\$325,000,000

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EXHIBIT B - Form of Security Agreement
EXHIBIT C - Form of Guarantee Assumption Agreement
EXHIBIT D - Forms of Opinions of Counsel to the Obligors
EXHIBIT E - Form of Opinion of Special New York Counsel to The Chase Manhattan Bank

CREDIT AGREEMENT dated as of December 19, 1997, between CANANDAIGUA BRANDS, INC. (formerly known as Canandaigua Wine Company, Inc.), the SUBSIDIARY GUARANTORS party hereto, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Borrower (as hereinafter defined) has requested that the Lenders (as so defined) extend credit (by means of loans and letters of credit) to it in an aggregate principal amount not exceeding \$325,000,000 at any one time outstanding (which amount may, in the circumstances herein provided be increased to \$525,000,000), to refinance certain existing indebtedness and to finance the ongoing working capital requirements and other general corporate purposes (including certain acquisitions) of the Borrower and its subsidiaries. The Lenders are prepared to extend such credit upon the terms and conditions hereof and, accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ACQUISITION" means an acquisition by the Borrower or any of its Subsidiaries of a business and the related assets of any Person (whether by way of purchase of assets or stock, including any tender for outstanding shares of stock, by merger or consolidation, by acceptance of a contribution of capital from another Person, or otherwise).

"ADJUSTED CASH FLOW" means, for any period (the "CALCULATION PERIOD"), the

sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) Operating Cash Flow for the calculation period MINUS (b) Capital Expenditures made during the calculation period (excluding Capital Expenditures made from the proceeds of Indebtedness other than Indebtedness hereunder).

"ADJUSTED LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period MULTIPLIED BY (b) the Statutory Reserve Rate.

"ADJUSTMENT AMOUNT" means, for any period, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the amount of any income or expense included in the determination of net operating income for such period as a result of changes in the LIFO Reserve.

"ADMINISTRATIVE AGENT" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day PLUS 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means (a) with respect to any Tranche I Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche I Revolving Commitments, (b) with respect to any Tranche II Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche II Revolving Commitments, (c) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement relating to Letters of Credit or Swingline Loans, the percentage of the total Revolving Commitments or Loans hereunder represented by the aggregate amount of such Lender's Revolving Commitment or Loans hereunder and (d) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement (other than one relating to Letters of Credit or Swingline Loans), the percentage of the total Commitments or Loans of all Classes hereunder represented by the aggregate amount of such Lender's Commitments or Loans of all Classes hereunder.

"APPLICABLE RATE" means, for any day, with respect to any ABR Loan (including any Swingline ABR Loan), Eurodollar Syndicated Loan or Swingline FFBR Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread" (in the case of ABR Loans), "Fixed Rate Revolving Spread" (in the case of Eurodollar Syndicated Revolving Loans or Swingline FFBR Loans), "Fixed Rate Term Loan Spread" (in the case of Eurodollar Syndicated Term Loans) or "Facility Fee Rate", respectively, based upon the Debt Ratio as of the most recent determination date; PROVIDED that until delivery of the consolidated financial statements specified below for the fiscal year of the Borrower ending February 28, 1998, the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 4:

DEBT RATIO:	ABR Spread	Fixed Rate Revolving Spread	Fixed Rate Term Loan Spread	Facility Fee Rate
CATEGORY 1 > 4.25x	.000	.900	1.250	.350
CATEGORY 2 <= 4.25x and > 4.00x	.000	.700	1.000	.300
CATEGORY 3 <= 4.00x and > 3.50x	.000	.600	.875	.275
CATEGORY 4 <= 3.50x and > 3.00x	.000	.500	.750	.250
CATEGORY 5				

<= 3.00x and > 2.50x	.000	.425	.625	.200

CATEGORY 6				
<= 2.50x and > 2.00x	.000	.325	.500	.175

CATEGORY 7				
<= 2.00x	.000	.250	.400	.150
=====				

For purposes of the foregoing, (i) the Debt Ratio shall be determined as of the end of each fiscal quarter of the Borrower's fiscal year based upon the Borrower's consolidated financial statements delivered pursuant to Section 6.01(a) or (b) and (ii) each change in the Applicable Rate resulting from a change in the Debt Ratio shall be effective during the period commencing on and including the date three Business Days after delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; PROVIDED that the Debt Ratio shall be deemed to be in Category 1 (A) at any time that an Event of Default has occurred and is continuing and (B) if the Borrower fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 6.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

Notwithstanding the foregoing, the "Applicable Rate" for any Tranche II Term Loan of any Series shall be the respective rates specified in the Tranche II Term Loan Agreement for such Series.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER" means Canandaigua Brands, Inc. (formerly known as Canandaigua Wine Company, Inc.), a Delaware corporation.

"BORROWING" means (a) Syndicated Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"BORROWING REQUEST" means a request by the Borrower for a Syndicated Borrowing in accordance with Section 2.03.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; PROVIDED that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAPITAL EXPENDITURES" means, for any period, expenditures (including the aggregate amount of Capital Lease Obligations incurred during such period) made by the Borrower or any of its Consolidated Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP. Notwithstanding the foregoing, no Acquisition permitted pursuant to Section 7.03(d) shall be treated as a Capital Expenditure.

"CAPITAL LEASE" of any Person means any lease of (or other arrangement conveying the right to use) real or personal Property, or a combination thereof, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any Capital Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CASUALTY EVENT" means, with respect to any Property of any Person, any loss of or damage to, or any condemnation or other taking of, such Property for which such Person or any of its Subsidiaries receives insurance proceeds, or proceeds of a condemnation award or other compensation.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or either Issuing Lender (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Lender's holding company, if any)

with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHASE" means The Chase Manhattan Bank.

"CLASS", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans, Tranche II Term Loans, Competitive Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Tranche I Revolving Commitment, Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment.

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

"COLLATERAL ACCOUNT" has the meaning assigned to such term in Section 4.01 of the Security Agreement.

"COMMITMENT" means a Tranche I Revolving Commitment, a Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment, or any combination thereof (as the context requires).

"COMPETITIVE BID" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"COMPETITIVE BID RATE" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"COMPETITIVE BID REQUEST" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"COMPETITIVE LOAN" means a Loan made pursuant to Section 2.04.

"CONSOLIDATED SUBSIDIARY" means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"CONSOLIDATED TANGIBLE ASSETS" means, as at any date, the total assets of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) that would be shown as tangible assets on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries. For purposes hereof, "TANGIBLE ASSETS" means all assets of the Borrower and its Consolidated Subsidiaries other than assets that should be classified as intangibles including goodwill, minority interests, research and development costs, trademarks, trade names, copyrights, patents and franchises, unamortized debt discount and expense, all reserves and any write-up in the book value of assets resulting from a revaluation thereof subsequent to December 31, 1996.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"DEBT INCURRENCE" means the incurrence by the Borrower or any of its Subsidiaries after the Effective Date of any Subordinated Indebtedness.

"DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"DEFAULT" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"DISCLOSED MATTERS" means the actions, suits and proceedings and the environmental matters disclosed in Schedule III.

"DISPOSITION" means any sale, assignment, transfer or other disposition of any Property (whether now owned or hereafter acquired) by the Borrower or any of

its Subsidiaries to any other Person excluding (a) any sale, assignment, transfer or other disposition of any Property sold or disposed of in the ordinary course of business and on ordinary business terms and (b) any Sale and Leaseback Transaction.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"EMPLOYEE STOCK PURCHASE PLAN" means the Canandaigua Brands, Inc. 1989 Employee Stock Purchase Plan.

"ENVIRONMENTAL CLAIM" means, with respect to any Person, (a) any written or oral notice, claim, demand or other communication (collectively, a "CLAIM") by any other Person alleging or asserting such Person's liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other Property, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or Release into the environment, of any Hazardous Material at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, without limitation, any claim by any governmental authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY ISSUANCE" means (a) any issuance or sale by the Borrower or any of its Subsidiaries after the Effective Date of (i) any of its capital stock, (ii) any warrants or options exercisable in respect of its capital stock or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in the Borrower or any of its Subsidiaries or (b) the receipt by the Borrower or any of its Subsidiaries after the Effective Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); PROVIDED that Equity Issuance shall not include (x) any such issuance or sale by any Subsidiary of the Borrower to the Borrower or any Wholly-Owned Subsidiary of the Borrower or (y) any capital contribution by the Borrower or any Wholly-Owned Subsidiary of the Borrower to any Subsidiary of the Borrower.

"EQUITY RIGHTS" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind for the issuance or sale by such Person of, or securities convertible into, any additional shares of capital stock of any class of such Person, or partnership or other ownership interests of any type in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA EVENT" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan

administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCESS CASH FLOW" means, for any fiscal year, the sum of (a) Adjusted Cash Flow for such fiscal year (determined without regard to the Adjustment Amount) MINUS (b) Fixed Charges for such fiscal year PLUS (c) the sum (if positive), or MINUS the sum (if negative), of the aggregate amount of "change in operating assets and liabilities, net of effects from purchases of businesses" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year, excluding, however, any portion of such amount attributable to non-cash adjustments (other than any non-cash adjustments related to Acquisitions) PLUS (d) the aggregate amount (if positive), or MINUS the aggregate amount (if negative), of "(repayment of) proceeds from notes payable, short-term borrowings" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year (excluding the repayment of short-term borrowings from the proceeds of an Equity Issuance or Debt Incurrence).

"EXCLUDED ENTITIES" means, collectively, Inactive Subsidiaries, Joint Venture Entities and Foreign Subsidiaries.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender, either Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or is attributable to such Foreign Lender's failure or inability to comply with Section 2.17(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"EXISTING CREDIT AGREEMENT" means the Third Amended and Restated Credit Agreement dated as of September 1, 1995 between the Borrower, the Banks party thereto and Chase, as Administrative Agent, as in effect on the date hereof.

"FFBR", when used in reference to any Swingline Loan, refers to whether such Loan bears interest at a rate determined by reference to the Federal Funds Base Rate.

"FEDERAL FUNDS BASE RATE" means, for any Interest Period for any Swingline Loan, the rate per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) determined by the Swingline Lender to be equal to the rate charged to the Swingline Lender on Federal funds transactions for such Interest Period with members of the Federal Reserve System arranged by Federal funds brokers on such day.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"FIRST CHICAGO" means The First National Bank of Chicago.

"FIXED CHARGES" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without

duplication in accordance with GAAP), of the following: (a) all payments of principal of Indebtedness scheduled to be made during such period PLUS (b) all Interest Expense for such period PLUS (c) the aggregate amount of federal and state taxes paid during such period to the extent that net operating income for such period pursuant to clause (a) of the definition of "Operating Cash Flow" in this Section has been calculated before giving effect to such taxes PLUS (d) the aggregate amount of Restricted Payments made pursuant to Section 7.05 (other than pursuant to clause (a)(i) thereof) during such period.

"FIXED CHARGES RATIO" means, as at any date, the ratio of (a) Adjusted Cash Flow for the period of four consecutive fiscal quarters ending on or most recently ended prior to such date to (b) Fixed Charges for such period.

"FIXED RATE" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"FIXED RATE LOAN" means a Competitive Loan bearing interest at a Fixed Rate.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARIES" means any Subsidiary organized under the laws of any country other than the United States of America, or a State thereof, which (if such Subsidiary were to become a Subsidiary Guarantor hereunder) the Borrower and the Administrative Agent have determined would result in adverse tax consequences under Section 956 of the Code. For purposes hereof, it is agreed that as of the date hereof each of Canandaigua World Sales Limited and BB Servicios, S.A. de C.V. are "Foreign Subsidiaries".

"GAAP" means generally accepted accounting principles in the United States of America.

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE" of or by any Person (the "GUARANTOR") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease Property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; PROVIDED, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"GUARANTEE ASSUMPTION AGREEMENT" means a Guarantee Assumption Agreement substantially in the form of Exhibit C by an entity that, pursuant to Section 6.09(a) is required to become a "Subsidiary Guarantor" hereunder in favor of the Administrative Agent.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGING AGREEMENT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"INACTIVE SUBSIDIARY" means, as at any date, any Subsidiary of the Borrower that, as at the end of and for the quarterly accounting period ending on or most recently ended prior to such date, shall have less than \$100,000 in assets and less than \$100,000 in gross revenues.

"INCENTIVE STOCK OPTION PLAN" means the Canandaigua Brands, Inc. Incentive Stock Option Plan dated June 23, 1997.

"INDEBTEDNESS" of any Person means, without duplication, (a) all

obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to Property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of Property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INTEREST COVERAGE RATIO" means, as at any date of determination thereof, the ratio of (a) Operating Cash Flow for the period of four fiscal quarters ending on or most recently ended prior to such date to (b) Interest Expense for such period.

"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Syndicated Borrowing in accordance with Section 2.08.

"INTEREST EXPENSE" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest in respect of Indebtedness (including the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) PLUS (b) the net amounts payable (or MINUS the net amounts receivable) under Interest Rate Protection Agreements accrued during such period (whether or not actually paid or received during such period) MINUS (c) all interest income during such period.

"INTEREST PAYMENT DATE" means (a) with respect to any ABR Syndicated Loan, each Quarterly Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"INTEREST PERIOD" means (a) with respect to any Eurodollar Syndicated Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, (b) with respect to any Eurodollar Competitive Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as specified in the applicable Competitive Bid Request, (c) with respect to any Fixed Rate Borrowing, the period (which shall not be more than 90 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request, and (d) with respect to any Swingline FFBR Borrowing, the period commencing on the date of such Borrowing and ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, as the Borrower may elect; PROVIDED, that

(i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and

(ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Syndicated Borrowing, thereafter shall be the effective date of the most recent conversion or

continuation of such Borrowing.

"INTEREST RATE PROTECTION AGREEMENT" means any Hedging Agreement that consists of an interest rate protection agreement or other interest rate hedging arrangement providing for the transfer or mitigation of interest risks either generally or under specific contingencies.

"INVESTMENT" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 120 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

"ISSUING LENDER" means (i) Chase, in its capacity as the issuer of Letters of Credit (other than the Qingdao Letter of Credit) hereunder and (ii) First Chicago, in its capacity as the issuer of the Qingdao Letter of Credit hereunder, and their respective successors in such capacity as provided in Section 2.06(j).

"JOINT VENTURE ENTITY" means, collectively, (i) any Subsidiary of the Borrower that is not a Wholly-Owned Subsidiary and (ii) any Subsidiary of any Joint Venture Entity described in the foregoing clause (i), PROVIDED that in any event, until such time (if ever) as it shall become a Wholly-Owned Subsidiary, Polyphenolics, LLC shall be deemed to be a "Joint Venture Entity".

"LC DISBURSEMENT" means a payment made by an Issuing Lender pursuant to a Letter of Credit.

"LC EXPOSURE" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time PLUS (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total LC Exposure at such time.

"LENDERS" means the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"LETTER OF CREDIT" means any letter of credit issued pursuant to this Agreement.

"LETTER OF CREDIT DOCUMENTS" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period.

In the event that such rate is not available at such time for any reason, then the LIBO Rate with respect to such Eurodollar Borrowing for such Interest Period shall be the rate (rounded upwards, if necessary, to the next 1/16 of 1%) at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of Chase in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional

sale agreement, Capital Lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LIFO RESERVE" means, for any period, for the Borrower and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the reserve established as at the end of such period by the Borrower to reflect the difference, if any, between (a) the cost of inventory using the last-in first-out method of accounting therefor and (b) the cost of inventory using the first-in first-out method of accounting therefor.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Letter of Credit Documents, the Security Documents and the Tranche II Agreements.

"LOANS" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"LONG-TERM STOCK INCENTIVE PLAN" means the Canandaigua Brands, Inc. Long-Term Stock Incentive Plan dated June 23, 1997.

"MARGIN" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"MARGIN STOCK" means "margin stock" within the meaning of Regulations G, T, U and X of the Board.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (b) the legal ability or financial capacity of any Obligor to perform any of its obligations under this Agreement or any of the other Loan Documents to which it is a party or (c) the rights of or benefits available to the Lenders under this Agreement or any of the other Loan Documents. Material Adverse Effect shall also include, for purposes of Section 4.07, any material adverse effect upon the operation of any of the facilities owned, operated or leased by the Borrower or any of its Subsidiaries.

"MATERIAL INDEBTEDNESS" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$500,000. For purposes of determining Material Indebtedness, the "PRINCIPAL AMOUNT" of the obligations of any Person in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Hedging Agreement were terminated at such time.

"MATURITY DATE" means the Quarterly Date falling on or nearest to June 1, 2003.

"MORTGAGES" means, collectively, the respective Deeds of Trust and Mortgages executed and delivered by the Borrower and its Subsidiaries pursuant to the Existing Credit Agreement (or pursuant to earlier restatements thereof or pursuant to the original Credit Agreement dated as of September 30, 1991), covering the properties of the respective Obligors identified in Parts A and B of Schedule VI, in each case as such Deeds of Trust and Mortgages have been heretofore modified, as such Deeds of Trust and Mortgages shall be modified pursuant to instruments of Modification and Confirmation executed and delivered pursuant to Section 5.01(g), and as such Deeds of Trust and Mortgages shall be further modified and supplemented and in effect from time to time.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET AVAILABLE PROCEEDS" means:

(i) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition;

(ii) in the case of any Casualty Event, the aggregate amount of proceeds of insurance, condemnation awards and other compensation received by the Borrower and its Subsidiaries in respect of such Casualty Event net of (A) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (B) contractually required repayments of Indebtedness (other than Indebtedness to the Lenders hereunder) to the extent secured by a Lien on such Property and any income and transfer taxes payable by the Borrower or any of its Subsidiaries in respect of such Casualty Event;

(iii) in the case of any Equity Issuance, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Equity Issuance (net of reasonable expenses incurred by the

Borrower and its Subsidiaries in connection therewith); and

(iv) in the case of any Debt Incurrence, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Debt Incurrence (net of (x) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (y) cash proceeds so received and applied to refinance other Subordinated Indebtedness as contemplated by Section 7.09).

"NET CASH PAYMENTS" means, with respect to any Disposition, the aggregate amount of all cash payments received by the Borrower and its Subsidiaries directly or indirectly in connection with such Disposition; PROVIDED that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Borrower and its Subsidiaries in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated to be payable by the Borrower and its Subsidiaries as a result of such Disposition (but only to the extent that such estimated taxes are in fact paid to the relevant Federal, state or local governmental authority within three months of the date of such Disposition) and (b) Net Cash Payments shall be net of any repayments by the Borrower or any of its Subsidiaries of Indebtedness to the extent that (i) such Indebtedness is secured by a Lien on the Property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such Property requires that such Indebtedness be repaid as a condition to the purchase of such Property.

"NOTES" means promissory notes from time to time executed and delivered pursuant to Section 2.10(f).

"OBLIGOR" means the Borrower and each Subsidiary Guarantor.

"OFF-PREMISES WAREHOUSES" means all warehouses and other bailment facilities owned and operated by Persons other than any Obligor that are not located on Property owned or leased by any Obligor and in which inventory is maintained from time to time.

"OPERATING CASH FLOW" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) net operating income (calculated before income taxes, interest income, Interest Expense, extraordinary and unusual items and income or loss attributable to equity in Affiliates) for such period PLUS (b) depreciation and amortization (to the extent deducted in determining net operating income) for such period PLUS (c) the Adjustment Amount for such period, if such Adjustment Amount is expense (or MINUS the Adjustment Amount for such period, if such Adjustment Amount is income).

Notwithstanding the foregoing, if during any period for which Operating Cash Flow is being determined the Borrower or any of its Subsidiaries shall have consummated any Acquisition or Disposition then, for all purposes of this Agreement (other than for purposes of determining Excess Cash Flow), Operating Cash Flow shall be determined on a PRO FORMA basis as if such Acquisition or Disposition had been made or consummated on the first day of such period.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PERMITTED ENCUMBRANCES" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 6.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, bankers' and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 6.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VIII; and

(f) easements, zoning restrictions, rights-of-way and similar

encumbrances on real Property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected Property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

PROVIDED that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"PERMITTED INVESTMENTS" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard & Poor's Ratings Group or from Moody's Investors Services, Inc.;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of (x) any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000 or (y) any Lender hereunder; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PROPERTY" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"QINGDAO LETTER OF CREDIT" means Letter of Credit No. 04021104 issued by First Chicago to Qingdao Brewery, 56 Dengzhou Road, Qingdao, People's Republic of China, as such Letter of Credit shall, subject to the provisions of Sections 2.06(b) and 2.06(1), be modified, renewed and reissued from time to time.

"QINGDAO LETTER OF CREDIT LIMIT" means (i) as of the Effective Date, \$553,407, and (ii) as of the date of any modification or renewal or reissuance of the Qingdao Letter of Credit, the amount specified by First Chicago, as an Issuing Lender, to the Administrative Agent and the Borrower at the time of such modification, renewal or reissuance as the new "Qingdao Letter of Credit Limit" for purposes of this Agreement.

"QUARTERLY DATES" means the 1st day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof; PROVIDED that if any such day is not a Business Day, then such Quarterly Date shall be the next succeeding Business Day.

"REGISTER" has the meaning set forth in Section 10.04.

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

"REQUIRED LENDERS" means, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing at least 66-2/3% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time; PROVIDED that, for purposes of declaring the Loans to be due and

payable pursuant to Article VIII, and for all purposes after the Loans become due and payable pursuant to Article VIII or the Revolving Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Exposures in determining the Required Lenders. The "Required Lenders" of a particular Class of Loans means Lenders having Revolving Exposures, Term Loans and unused Commitments of such Class representing at least 66-2/3% of the sum of the total Revolving Exposures, Term Loans and unused Commitments of such Class at such time.

"RESTRICTED PAYMENT" means any dividend or other distribution (whether in cash, securities or other Property) with respect to any shares of any class of capital stock of the Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Borrower.

"REVOLVING AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Commitments.

"REVOLVING COMMITMENTS" means, collectively, the Tranche I Revolving Commitments and the Tranche II Revolving Commitments.

"REVOLVING EXPOSURE" means, collectively, the Tranche I Revolving Exposure and the Tranche II Revolving Exposure.

"REVOLVING LENDERS" means, collectively, the Tranche I Revolving Lenders and the Tranche II Revolving Lenders.

"REVOLVING LOANS" means, collectively, the Tranche I Revolving Loans and the Tranche II Revolving Loans.

"SALE AND LEASEBACK TRANSACTION" means a transaction or series of transactions pursuant to which the Borrower or any Subsidiary shall sell or transfer to any Person (other than the Borrower or a Subsidiary) any Property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Borrower or any Subsidiary shall rent or lease as lessee, or similarly acquire the right to possession or use of, such Property or one or more Properties which it intends to use for the same purpose or purposes as such Property, and in circumstances that give rise to a Capital Lease Obligation of the Borrower or one or more of its Subsidiaries.

"SECURITY AGREEMENT" means a Security Agreement substantially in the form of Exhibit B between the Borrower, the Subsidiary Guarantors and the Administrative Agent.

"SECURITY DOCUMENTS" means, collectively, the Security Agreement, the Mortgages and all Uniform Commercial Code financing statements required by the Security Agreement or the Mortgages to be filed with respect to the security interests in personal Property and fixtures created pursuant to the Security Agreement or the Mortgages.

"SENIOR DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness (other than any Subordinated Indebtedness) of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance or Debt Incurrence at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"SENIOR SUBORDINATED NOTE GUARANTEES" means, collectively, the Guarantees, pursuant to Section 1014 or Article 14 of the Senior Subordinated Note Indenture, by each Subsidiary Guarantor of the punctual payment and performance when due of all of the Borrower's Indenture Obligations (as defined in the Senior Subordinated Note Indenture).

"SENIOR SUBORDINATED NOTES" means the Borrower's Senior Subordinated Notes due 2003 issued pursuant to the Senior Subordinated Note Indenture.

"SENIOR SUBORDINATED NOTE INDENTURE" means, collectively, (a) the Indenture dated as of December 27, 1993 between the Borrower, the Subsidiary Guarantors and Chase (as successor by merger to Chemical Bank), as trustee, and (b) the Indenture dated as of October 29, 1996 between the Borrower, the Subsidiary Guarantors and Harris Trust and Savings Bank, as trustee.

"SERIES" has the meaning set forth in Section 2.01(c).

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one MINUS the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBORDINATED INDEBTEDNESS" means, collectively, (a) Indebtedness of the Borrower in respect of the Senior Subordinated Notes and (b) other Indebtedness incurred in accordance with the provisions of Section 7.09.

"SUBSIDIARY" means, with respect to any Person (the "PARENT") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"SUBSIDIARY GUARANTOR" means each of the Subsidiaries of the Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto and each Subsidiary of the Borrower that becomes a "Subsidiary Guarantor" after the date hereof pursuant to Section 6.09(a).

"SWINGLINE EXPOSURE" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total Swingline Exposure at such time.

"SWINGLINE LENDER" means Chase, in its capacity as Lender of Swingline Loans hereunder, or such other Lender as the Borrower may from time to time select as the Swingline Lender hereunder pursuant to Section 2.05(e).

"SWINGLINE LOAN" means a Loan made pursuant to Section 2.05.

"SYNDICATED LOANS" means, collectively, the Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans and Tranche II Term Loans.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TERM LOAN COMMITMENTS" means, collectively, the Tranche I Term Loan Commitments and Tranche II Term Loan Commitments.

"TERM LOAN LENDERS" means, collectively, the Tranche I Term Loan Lenders and Tranche II Term Loan Lenders.

"TERM LOAN PRINCIPAL PAYMENT DATES" means, collectively, the Tranche I Term Loan Principal Payment Dates and Tranche II Term Loan Principal Payment Dates, as applicable.

"TERM LOANS" means, collectively, the Tranche I Term Loans and the Tranche II Term Loans.

"TRANCHE I REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche I Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche I Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Revolving Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Revolving Commitments is \$185,000,000.

"TRANCHE I REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche I Revolving Loans and its Tranche I Revolving LC Exposure and Tranche I Revolving Swingline Exposure at such time.

"TRANCHE I REVOLVING LENDERS" means a Lender with a Tranche I Revolving Commitment or, if the Tranche I Revolving Commitments have terminated or expired, a Lender with Tranche I Revolving Exposure.

"TRANCHE I REVOLVING LOAN" means a Loan made pursuant to Section 2.01(a), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE I TERM LOAN COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche I Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Tranche I Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Term Loan Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Term Loan Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Term Loan Commitments is \$140,000,000.

"TRANCHE I TERM LOAN LENDER" means a Lender with a Tranche I Term Loan Commitment or an outstanding Tranche I Term Loan.

"TRANCHE I TERM LOAN PRINCIPAL PAYMENT DATES" means the Quarterly Dates falling on or nearest to March 1, June 1, September 1 and December 1 of each year, commencing with March 1, 1998, through and including June 1, 2003.

"TRANCHE I TERM LOANS" means a Loan made pursuant to Section 2.01(b), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II AGREEMENTS" means, collectively, the Tranche II Revolving Agreements and the Tranche II Term Loan Agreements.

"TRANCHE II COMMITMENTS" means, collectively, the Tranche II Revolving Commitments and the Tranche II Term Loan Commitments.

"TRANCHE II LOANS" means, collectively, the Tranche II Revolving Loans and the Tranche II Term Loans.

"TRANCHE II REVOLVING AGREEMENT" means, with respect to any Series of Tranche II Revolving Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Revolving Commitment of such Series hereunder.

"TRANCHE II REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche II Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche II Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Revolving Commitment shall be determined in accordance with the provisions of Section 2.01(c).

"TRANCHE II REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche II Revolving Loans and its Tranche II Revolving LC Exposure and Tranche II Revolving Swingline Exposure at such time.

"TRANCHE II REVOLVING LENDERS" means a Lender with a Tranche II Revolving Commitment or, if the Tranche II Revolving Commitments have terminated or expired, a Lender with Tranche II Revolving Exposure.

"TRANCHE II REVOLVING LOAN" means a "Tranche II Revolving Loan" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II TERM LOAN AGREEMENT" means, with respect to any Series of Tranche II Term Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Term Loan Commitment of such Series hereunder.

"TRANCHE II TERM LOAN AVAILABILITY PERIOD" means the period from and including the Effective Date to and including the Tranche II Term Loan Commitment Termination Date.

"TRANCHE II TERM LOAN COMMITMENT" of any Series means, with respect to each Lender, the commitment, if any, of such Lender to make one or more Tranche II Term Loans of such Series, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Term Loan Commitment of any Series will be specified in the Tranche II Term Loan Agreement for such Series, or will be set forth in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche II Term Loan Commitment of such Series, as

applicable.

"TRANCHE II TERM LOAN COMMITMENT TERMINATION DATE" means, December 29, 2000 or, if such day is not a Business Day, the next preceding Business Day.

"TRANCHE II TERM LOAN LENDER" means, in respect of any Series of Tranche II Term Loans, a Lender with a Tranche II Term Loan Commitment of such Series or, if the Tranche II Term Loan Commitments of such Series have terminated or expired, a Lender with outstanding Tranche II Term Loans of such Series.

"TRANCHE II TERM LOAN PRINCIPAL PAYMENT DATES" means, for any Series of Tranche II Term Loans, the dates specified in the Tranche II Term Loan Agreement for such Series as the dates upon which payments of principal in respect of the Tranche II Term Loans of such Series are to be made.

"TRANCHE II TERM LOANS" means the "Tranche II Term Loans" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANSACTIONS" means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is intended to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"TYPE", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"WHOLLY-OWNED SUBSIDIARY" means, with respect to any Person, any corporation, partnership or other entity of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. For purposes hereof, BB Servicios, S.A. de C.V. shall be deemed to be a Wholly-Owned Subsidiary so long as the direct or indirect ownership interest of the Borrower therein shall not fall below that indicated on Schedule IV.

"WITHDRAWAL LIABILITY" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Tranche I Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Loan"); each Series of Tranche II Term Loans shall be deemed a separate Class of Loans hereunder. Borrowings also may be classified and referred to by Class (e.g., a "Tranche I Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Borrowing"); and each Series of Tranche II Term Loan Borrowings and Tranche II Term Loan Commitments shall be deemed a separate Borrowing and Commitment hereunder. Swingline ABR Loans and Swingline FFBC Loans shall be deemed to be Loans of the same Class but different Types.

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "Property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; PROVIDED that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision

shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.01. THE COMMITMENTS.

(a) TRANCHE I REVOLVING LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make Tranche I Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in (i) such Lender's Tranche I Revolving Exposure exceeding such Lender's Tranche I Revolving Commitment or (ii) the sum of the total Tranche I Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Tranche I Revolving Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche I Revolving Loans.

(b) TRANCHE I TERM LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make one or more Tranche I Term Loans to the Borrower on the Effective Date in a principal amount equal to its Tranche I Term Loan Commitment. Amounts repaid in respect of Tranche I Term Loans may not be reborrowed.

(c) TRANCHE II LOANS. In addition to borrowings of Tranche I Revolving Loans and Tranche I Term Loans, at any time and from time to time on or before the Tranche II Term Loan Commitment Termination Date, the Borrower may request that the Lenders offer to enter into commitments to make additional revolving loans (which shall be "Tranche II Revolving Loans") or additional term loans (which shall be "Tranche II Term Loans") to the Borrower hereunder (it being understood that such offer may be made by any financial institution that is to become a Lender hereunder in connection with the making of such offer under this paragraph (c), so long as the Administrative Agent shall have consented to such financial institution being a Lender hereunder, it being understood that such consent shall not be unreasonably withheld). In the event that one or more of the Lenders offer, in their sole discretion, to enter into such commitments, and such Lenders and the Borrower agree as to the amount of such commitments that shall be allocated to the respective Lenders making such offers, as to the fees (if any) to be payable by the Borrower in connection therewith and the Applicable Rate and (in the case of Tranche II Term Loans) the amortization relating thereto, the Borrower, the Administrative Agent and such Lenders shall execute and deliver a Tranche II Revolving Loan Agreement or Tranche II Term Loan Agreement, as applicable, and such Lenders shall become obligated to make Tranche II Revolving Loans or Tranche II Term Loans, as applicable, under this Agreement in an amount equal to the amount of their respective Tranche II Revolving Commitments and Tranche II Term Loan Commitments, as applicable, as specified in such Agreement. The Tranche II Loans to be made pursuant to any Tranche II Agreement in response to any such request by the Borrower shall be deemed to be a separate "SERIES" of Tranche II Revolving Loans or Tranche II Term Loans, as applicable, for all purposes of this Agreement.

Anything herein to the contrary notwithstanding, (i) the minimum aggregate principal amount of Tranche II Commitments entered into pursuant to any such request (and, accordingly, the minimum aggregate principal amount of any Series of Tranche II Loans) shall be \$50,000,000, (ii) the aggregate outstanding principal amount of Tranche II Loans of all Series, together with the aggregate unutilized Tranche II Commitments of all Series, shall not exceed \$200,000,000 at any time, PROVIDED that the Borrower may not make any request for Tranche II Commitments hereunder after December 31, 1999 to the extent that, after giving effect to any Tranche II Commitments issued in response to such request, the aggregate outstanding principal amount of Tranche II Loans and unutilized Tranche II Commitments would exceed \$100,000,000, (iii) no single Lender (and its Affiliates) may have Commitments and Loans (including Incremental Commitments and Incremental Loans) aggregating more than 20% of the total outstanding Commitments and Loans of all Classes (other than Competitive Loans), (iv) the Tranche II Term Loan Commitments of any Series shall terminate on the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series and (v) in no event shall the Tranche II Term Loan Agreement for any Series of Tranche II Term Loans provide for the final maturity of the Tranche II Term Loans of such Series to be later than June 1, 2003, nor shall such Agreement provide for amortization of the Tranche II Term Loans of such Series at a rate faster (i.e. earlier) than the rate of amortization of the Tranche I Term Loans (the determination of whether or not such amortization is faster to be made by the Administrative Agent).

Following agreement by the Borrower and one or more of the Lenders as provided above, subject to the terms and conditions set forth herein:

(x) each Tranche II Revolving Lender of any Series agrees to make Tranche II Revolving Loans of such Series to the Borrower from time to time

during the Revolving Availability Period, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Revolving Commitment of such Series of such Tranche II Revolving Lender; within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche II Revolving Loans of any Series as the Borrower shall from time to time select; and

(y) each Tranche II Term Loan Lender of any Series agrees to make Tranche II Term Loans of such Series to the Borrower from time to time during the period from and including the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Term Loan Commitment of such Series of such Tranche II Term Loan Lender.

SECTION 2.02. LOANS AND BORROWINGS.

(a) OBLIGATION OF LENDERS. Each Syndicated Loan shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; PROVIDED that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) TYPE OF LOANS. Subject to Section 2.14, (i) each Syndicated Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; PROVIDED that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) MINIMUM AMOUNTS. At the commencement of each Interest Period for any Eurodollar Syndicated Borrowing, such Borrowing shall be in an aggregate amount of \$3,000,000 or a larger multiple of \$100,000. At the time that each ABR Syndicated Borrowing is made, such Borrowing shall be in an aggregate amount equal to \$3,000,000 or a larger multiple of \$100,000; PROVIDED that an ABR Syndicated Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of the applicable Class or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f). Each Tranche II Term Loan Borrowing shall be in an aggregate amount equal to \$50,000,000 or a larger multiple of \$100,000 (PROVIDED that a Tranche II Term Loan Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Tranche II Term Loan Commitments). Each Competitive Borrowing shall be in an aggregate amount equal to \$10,000,000 or a larger multiple of \$5,000,000. Each Swingline Loan shall be in an amount equal to \$500,000 or a larger multiple of \$100,000. Borrowings of more than one Type and Class may be outstanding at the same time; PROVIDED that there shall not at any time be more than a total of twenty (20) Eurodollar Syndicated Borrowings, Competitive Borrowings and Swingline Borrowings outstanding.

(d) CONVERSION OR CONTINUATION OF EURODOLLAR LOANS. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert to or continue as a Syndicated Eurodollar Borrowing: (i) any Revolving Borrowing or Competitive Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date; (ii) any Term Loan Borrowing of any Class if the Interest Period requested with respect thereto would end after the Maturity Date for the Term Loans of such Class; or (iii) any Term Loan of any Class if the Interest Period therefor would commence before and end after any Term Loan Principal Payment Date for such Class unless, after giving effect thereto, the aggregate principal amount of the Term Loans of such Class having Interest Periods that end after such Term Loan Principal Payment Date shall be equal to or less than the aggregate principal amount of the Term Loans of such Class permitted to be outstanding after giving effect to the payments of principal required to be made on such Term Loan Principal Payment Date.

SECTION 2.03. REQUESTS FOR SYNDICATED BORROWINGS. To request a Syndicated Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Syndicated Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the

Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Tranche I Revolving Borrowing, Tranche II Revolving Borrowing, Tranche I Term Loan Borrowing or Tranche II Term Loan Borrowing (including, if applicable, the respective Series of Tranche II Term Loans to which such Borrowing relates);

(ii) the aggregate amount of the requested Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Syndicated Borrowing is specified, then the requested Syndicated Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Syndicated Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. COMPETITIVE BID PROCEDURE.

(a) REQUESTS FOR BIDS BY BORROWER. Subject to the terms and conditions set forth herein, from time to time during the Revolving Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; PROVIDED that the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Revolving Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Revolving Lenders of the details thereof by telecopy, inviting the Revolving Lenders to submit Competitive Bids.

(b) MAKING OF BIDS BY LENDERS. Each Revolving Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Revolving Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the

case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be \$5,000,000 or a larger multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) NOTIFICATION OF BIDS BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify the Borrower by teletype of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) ACCEPTANCE OF BIDS BY BORROWER. Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by teletype in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; PROVIDED, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) of this proviso, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) of this proviso, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a principal amount of \$5,000,000 or a larger multiple of \$1,000,000; PROVIDED FURTHER that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) of the first proviso of this paragraph, such Competitive Loan may be in an amount of \$1,000,000 or any multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to such clause (iv) the amounts shall be rounded to multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) NOTIFICATION OF ACCEPTANCES BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify each bidding Lender by teletype whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) BIDS BY ADMINISTRATIVE AGENT. If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. SWINGLINE LOANS.

(a) AGREEMENT TO MAKE SWINGLINE LOANS. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$20,000,000 or (ii) total Revolving Exposure PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Revolving Commitments; PROVIDED that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) INTEREST RATES. Swingline Loans shall be ABR Loans or FFBR Loans, as selected by the Borrower, except that the Swingline Lender and the Borrower may agree that the interest rate in respect of a Swingline Loan made by such Swingline Lender, for a period ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, be at an alternative rate of interest (and with such applicable margins and prepayment premiums) as may from time to time be offered by the Swingline Lender to the Borrower in its sole discretion; PROVIDED that upon any sale pursuant to Section

2.05(d) of participations in any Swingline Loan the interest on which is determined by reference to the Federal Funds Base Rate or any such alternative rate, such Swingline Loans shall automatically be converted into an ABR Loan.

(c) NOTICE OF SWINGLINE LOANS BY BORROWER. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount and type of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f), by remittance to the respective Issuing Lender) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(d) PARTICIPATIONS BY LENDERS IN SWINGLINE LOANS. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice to the Administrative Agent shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above in this paragraph, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

(e) REPLACEMENT OF SWINGLINE LENDER. The Borrower may at any time, and from time to time, request that the then-current Swingline Lender be replaced with another Lender hereunder designated by the Borrower and satisfactory to the Administrative Agent. Any such replacement shall be effected pursuant to a written instrument, in form and substance satisfactory to the Administrative Agent, under which such new Lender agrees to become the "Swingline Lender" hereunder, and the predecessor Swingline Lender is relieved of all of its obligations hereunder as the "Swingline Lender", PROVIDED that in no event shall any such replacement occur unless the principal of and interest on all of the Swingline Loans of the predecessor Swingline Lender shall have been paid in full.

SECTION 2.06. LETTERS OF CREDIT.

(a) GENERAL. Subject to the terms and conditions set forth herein, in addition to the Loans provided for in Section 2.01, the Borrower may request Chase, as an Issuing Lender, to issue, at any time and from time to time during the Revolving Availability Period, Letters of Credit for its own account in such form as is acceptable to such Issuing Lender in its reasonable determination. In addition, First Chicago, as an Issuing Lender, has issued the Qingdao Letter of Credit for the account of the Borrower. Letters of Credit issued hereunder shall constitute utilization of the Revolving Commitments.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the respective Issuing Lender) to the applicable Issuing Lender and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or

extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the respective Issuing Lender, the Borrower also shall submit a letter of credit application on such Issuing Lender's standard form in connection with any request for a Letter of Credit. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Lender relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Upon any modification or renewal or reissuance by First Chicago, as an Issuing Lender, of the Qingdao Letter of Credit, First Chicago shall forthwith notify the Administrative Agent and the Borrower of the new Qingdao Letter of Credit Limit for purposes of this Agreement.

(c) LIMITATIONS ON AMOUNTS. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate LC Exposure of Chase, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed \$20,000,000, (ii) the aggregate LC Exposure of First Chicago, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed the Qingdao Letter of Credit Limit and (iii) the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Revolving Commitments.

(d) EXPIRATION DATE. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date twelve months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, twelve months after the then-current expiration date of such Letter of Credit, so long as such renewal or extension occurs within three months of such then-current expiration date) and (ii) the date that is five Business Days prior to the Maturity Date.

(e) PARTICIPATIONS. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) by either Issuing Lender, and without any further action on the part of such Issuing Lender or the Lenders, such Issuing Lender hereby grants to each Lender, and each Lender hereby acquires from such Issuing Lender, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the respective Issuing Lender, such Lender's Applicable Percentage of each LC Disbursement made by an Issuing Lender promptly upon the request of such Issuing Lender at any time from the time of such LC Disbursement until such LC Disbursement is reimbursed by the Borrower or at any time after any reimbursement payment is required to be refunded to the Borrower for any reason. Each such payment shall be made in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the respective Issuing Lender the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to the next following paragraph, the Administrative Agent shall distribute such payment to respective Issuing Lender or, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse such Issuing Lender, then to such Lenders and such Issuing Lender as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Lender for any LC Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) REIMBURSEMENT. If an Issuing Lender shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such Issuing Lender in respect of such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time, PROVIDED that, if such LC Disbursement is not less than \$100,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in

accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan.

If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof.

(g) OBLIGATIONS ABSOLUTE. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (f) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the respective Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit, and (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Neither the Administrative Agent, the Lenders nor either Issuing Lender, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit by the respective Issuing Lender or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the respective Issuing Lender; PROVIDED that the foregoing shall not be construed to excuse an Issuing Lender from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Lender's negligence or wilful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that:

(i) an Issuing Lender may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) an Issuing Lender shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by an Issuing Lender when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(h) DISBURSEMENT PROCEDURES. The Issuing Lender for any Letter of Credit shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under such Letter of Credit. Such Issuing Lender shall promptly after such examination notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Lender has made or will make an LC Disbursement thereunder; PROVIDED that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Lender and the Lenders with respect to any such LC Disbursement.

(i) INTERIM INTEREST. If the Issuing Lender for any Letter of Credit shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Syndicated Loans; PROVIDED that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (f) of this Section, then Section 2.13(e) shall apply. Interest accrued pursuant to this paragraph shall be for the account of such Issuing Lender, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (f) of this Section to reimburse such Issuing Lender shall be for the account of such Lender to the extent of such payment.

(j) REPLACEMENT OF AN ISSUING LENDER. Either Issuing Lender may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Lender. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Lender pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of the replaced Issuing Lender under this Agreement with respect to Letters of Credit to be issued by it thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to include such successor or any previous Issuing Lender, or such successor and all previous Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(k) CASH COLLATERALIZATION. If either (i) an Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing at least 66-2/3% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, or (ii) the Borrower shall be required to provide cover for LC Exposure pursuant to Section 2.11(d), the Borrower shall immediately deposit into the Collateral Account an amount in cash equal to, in the case of an Event of Default, the LC Exposure as of such date PLUS any accrued and unpaid interest thereon and, in the case of cover pursuant to Section 2.11(d), the amount required under Section 2.11(d); PROVIDED that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VIII. Such deposit shall be held by the Administrative Agent as collateral in the first instance for the LC Exposure under this Agreement and thereafter for the payment of the "Secured Obligations" under and as defined in the Security Agreement.

(l) QINGDAO LETTER OF CREDIT. Anything herein to the contrary notwithstanding, the amount of the Qingdao Letter of Credit for all purposes of this Agreement and the other Loan Documents (including, without limitation, the usage of the Revolving Commitments hereunder, the calculation of fees under Section 2.12 and the obligation of the Revolving Lenders to participate in Letters of Credit arising upon drawings thereunder) shall be deemed to be equal to the Qingdao Letter of Credit Limit and any LC Exposure arising in respect of the Qingdao Letter of Credit in excess of the Qingdao Letter of Credit Limit shall be solely for the account of First Chicago, as an Issuing Lender, and no other Lender shall be obligated to participate in such excess amount, nor shall such excess amount be entitled to the benefits of the Security Documents.

(m) EXISTING LETTERS OF CREDIT. Pursuant to Section 2.04 of the Existing Credit Agreement, Chase, as an "Issuing Bank" thereunder, has issued various "Revolving Letters of Credit" under and as defined in the Existing Credit Agreement and First Chicago, as an "Issuing Bank" thereunder, has issued the "Qingdao Letter of Credit" under and as defined in the Existing Credit Agreement. On the Effective Date, subject to the satisfaction of the conditions to effectiveness of the obligations of the Lenders hereunder set forth in Article V, each of such "Revolving Letters of Credit" and the "Qingdao Letter of Credit" under the Existing Credit Agreement shall automatically, and without any action on the part of any Person, become a Letter of Credit hereunder.

SECTION 2.07. FUNDING OF BORROWINGS.

(a) FUNDING BY LENDERS. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; PROVIDED that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly remitting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; PROVIDED that ABR Revolving Borrowings made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f) shall be remitted by the Administrative Agent to the respective Issuing Lender.

(b) PRESUMPTION BY ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such

amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. INTEREST ELECTIONS.

(a) ELECTIONS BY BORROWER FOR SYNDICATED BORROWINGS. Each Syndicated Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Syndicated Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Syndicated Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) NOTICE OF ELECTIONS. To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Syndicated Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) INFORMATION IN ELECTION NOTICES. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies (including, if applicable, the respective Series of Tranche II Term Loans to which such Interest Election Request relates) and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) NOTICE BY ADMINISTRATIVE AGENT TO LENDERS. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) PRESUMPTION IF NO NOTICE. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Syndicated Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Syndicated Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Syndicated Borrowing may be converted to or continued as a Eurodollar Syndicated Borrowing and (ii) unless repaid, each Eurodollar Syndicated Borrowing shall be converted to an ABR Syndicated Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. TERMINATION AND REDUCTION OF THE COMMITMENTS.

(a) SCHEDULED TERMINATION. Unless previously terminated, (i) the Tranche I Term Loan Commitments shall terminate on the close of business on the Effective Date, (ii) the Tranche II Term Loan Commitments of each Series shall terminate on the Tranche II Term Loan Commitment Termination Date and (iii) the Revolving Commitments shall terminate on the Maturity Date.

(b) VOLUNTARY TERMINATION OR REDUCTION. The Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class (including the Commitments of any Series of Tranche II Term Loans); PROVIDED that (i) each reduction of the Commitments of any Class pursuant to this Section shall be in an amount that is \$3,000,000 or a larger multiple of \$100,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments of any Class if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the total Revolving Exposures of such Class PLUS the aggregate principal amount of outstanding Competitive Loans of such Class would exceed the total Revolving Commitments of such Class.

(c) NOTICE OF TERMINATION OR REDUCTION. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments of any Class under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; PROVIDED that a notice of termination of the Revolving Commitments of any Class delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) EFFECT OF TERMINATION OR REDUCTION. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) REPAYMENT. The Borrower hereby unconditionally promises to pay the Loans outstanding hereunder as follows:

(i) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Revolving Loan of such Lender on the Maturity Date,

(ii) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Tranche I Term Loan of such Lender on each Tranche I Principal Payment Date set forth below in an amount equal to the principal amount set forth opposite such Tranche I Principal Payment Date:

PRINCIPAL PAYMENT DATE	PRINCIPAL AMOUNT
March 1, 1998	\$6,000,000
June 1, 1998	\$6,000,000
September 1, 1998	\$6,000,000
December 1, 1998	\$6,000,000
March 1, 1999	\$6,000,000
June 1, 1999	\$6,000,000
September 1, 1999	\$6,000,000
December 1, 1999	\$6,000,000
March 1, 2000	\$6,000,000
June 1, 2000	\$6,000,000
September 1, 2000	\$6,000,000
December 1, 2000	\$6,000,000
March 1, 2001	\$6,000,000
June 1, 2001	\$6,000,000
September 1, 2001	\$6,000,000
December 1, 2001	\$6,000,000
March 1, 2002	\$6,000,000
June 1, 2002	\$6,000,000
September 1, 2002	\$6,000,000
December 1, 2002	\$6,000,000
March 1, 2003	\$10,000,000
June 1, 2003	\$10,000,000

(iii) to the Administrative Agent for the account of each Tranche II Term Loan Lender of any Series the outstanding principal amount of each Tranche II Term Loan of such Lender of such Series on the respective Tranche II Term Loan Principal Payments Dates for the Tranche II Term Loans of such Series,

(iv) to the Administrative Agent for the account of the respective Lender the then unpaid principal amount of each Competitive Loan of such Lender on the last day of the Interest Period applicable to such Loan, and

(v) to the Swingline Lender the then unpaid principal amount of each

Swingline Loan on the earliest of (A) the Maturity Date, (B) the fifteenth day after such Loan is made (but not earlier than one Business Day after such Swingline Loan is made) and (C) in the case of any Swingline FFBR Loan, the last day of the Interest Period for such Loan; PROVIDED that (i) if any such day is not a Business Day, then the Borrower shall pay such Swingline Loan on the next preceding Business Day and (ii) on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline ABR Loans then outstanding.

(b) MANNER OF PAYMENT. Prior to any repayment or prepayment of any Borrowings of any Class hereunder, the Borrower shall select the Borrowing or Borrowings of such Class to be paid and shall notify the Administrative Agent by telephone (confirmed by teletype) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such payment; PROVIDED that each payment of Borrowings of any Class shall be applied to pay any outstanding ABR Borrowings of such Class before any other Borrowings of such Class. If the Borrower fails to make a timely selection of the Borrowing or Borrowings to be repaid or prepaid, such payment shall be applied, first, to pay any outstanding ABR Borrowings of the applicable Class and, second, to other Borrowings of such Class in the order of the remaining duration of their respective Interest Periods (the Borrowing with the shortest remaining Interest Period to be paid first), and for these purposes, Competitive Bid Loans shall be deemed to be in the same Class as Tranche I Revolving Loans. Each payment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(c) MAINTENANCE OF LOAN ACCOUNTS BY LENDERS. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

Anything herein to the contrary notwithstanding, the Tranche I Term Loans made by each Lender shall be divided into two portions which shall be accounted for separately on the books of such Lender. The first of such portions (the "MORTGAGE PORTION") shall be in a principal amount equal to 2/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (including, without limitation, the Mortgages covering real property of the Obligors in New York) and the second of such portions (the "NON-MORTGAGE PORTION") shall be in a principal amount equal to 138/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (excluding, however, the Mortgages covering real property of the Obligors in New York). Anything in this Agreement to the contrary notwithstanding, all payments and prepayments of the Tranche I Term Loans hereunder shall be deemed to be applied first to Non-Mortgage Portion (until the same shall have been paid in full) and last to the Mortgage Portion.

(d) MAINTENANCE OF LOAN ACCOUNTS BY ADMINISTRATIVE AGENT. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof (including, in the case of Incremental Facility Loans, the respective Series thereof) and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The Administrative Agent shall account for the Mortgage Portions and Non-Mortgage Portions of the Tranche I Term Loans, as described in paragraph (c) above.

(e) EFFECT OF LOAN ACCOUNTS. The entries made in the accounts maintained pursuant to paragraph (c) or (d) of this Section shall be PRIMA FACIE evidence of the existence and amounts of the obligations recorded therein; PROVIDED that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(f) PROMISSORY NOTES. Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. PREPAYMENT OF LOANS.

(a) OPTIONAL PREPAYMENTS. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section, PROVIDED that (i) the aggregate principal amount of any prepayment on any date pursuant to this paragraph shall be at least equal to \$5,000,000 and (ii) the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof. Any prepayment

of a Term Loan Borrowing of any Class pursuant to this paragraph shall be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order.

(b) MANDATORY PREPAYMENTS -- REVOLVING LOANS. The Borrower will from time to time prior to the Maturity Date prepay the Revolving Loans in such amounts as shall be necessary so that, for a period of at least 30 consecutive days at any time during the two fiscal quarters of the Borrower ending on May 31 and August 31 of each fiscal year, the total Revolving Exposures shall not exceed \$60,000,000.

(c) MANDATORY PREPAYMENTS -- ALL LOANS. The Borrower will make prepayments of the Loans hereunder as follows:

(i) CASUALTY EVENTS. Upon the date 180 days following the receipt by the Borrower of the proceeds of insurance, condemnation award or other compensation in respect of any Casualty Event affecting any Property of the Borrower or any of its Subsidiaries (or upon such earlier date as the Borrower or such Subsidiary, as the case may be, shall have determined not to repair or replace the Property affected by such Casualty Event), the Borrower shall prepay the Loans in an aggregate amount, if any, equal to 100% of the Net Available Proceeds of such Casualty Event not theretofore applied to the repair or replacement of such Property, such prepayment to be effected in the manner and to the extent specified in clause (vi) below. Notwithstanding the foregoing, in the event that a Casualty Event shall occur with respect to Property covered by any Mortgage, the Borrower shall, if required by the terms of such Mortgage, prepay the Loans on the dates, and in the amounts, of the required prepayments specified in accordance with such Mortgage. Nothing in this paragraph shall be deemed to limit any obligation of the Borrower or any of its Subsidiaries pursuant to any of the Security Documents to remit to a collateral or similar account maintained by the Administrative Agent pursuant to any of the Security Documents the proceeds of insurance, condemnation award or other compensation received in respect of any Casualty Event.

(ii) EQUITY ISSUANCE. On or prior to the date 90 days after any Equity Issuance, the Borrower shall prepay the Loans in an aggregate amount equal to 50% of the Net Available Proceeds thereof, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (ii) (x) from the first \$1,500,000 Net Available Proceeds during any fiscal year received from the issuance or sale of capital stock in connection with the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan or the Incentive Stock Option Plan or (y) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Equity Issuance that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Equity Issuance (it being understood that, in the event Net Available Proceeds from more than one Equity Issuance are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Equity Issuances occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(iii) EXCESS CASH FLOW. Not later than the date 90 days after the end of each fiscal year of the Borrower ending on or after February 28, 1999 (unless the Debt Ratio is less than or equal to 3.00 to 1 as of the last day thereof), the Borrower shall prepay the Loans in an aggregate amount equal to (A) 50% of Excess Cash Flow for such fiscal year MINUS (B) the aggregate amount of prepayments of Term Loans made during such fiscal year pursuant to Section 2.11(a) and, after the payment in full of the Term Loans, the aggregate amount of voluntary reductions of the Revolving Commitments made during such fiscal year pursuant to Section 2.09(b), such prepayment to be effected in the manner and to the extent specified in clause (vi) of this Section.

(iv) SALE OF ASSETS. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Disposition not otherwise permitted hereunder, in the event that the Net Available Proceeds of any Disposition (herein, the "CURRENT DISPOSITION"), and of all prior Dispositions as to which a prepayment has not yet been made under this paragraph, shall exceed \$15,000,000 then, no later than 180 days after the occurrence of the Current Disposition, the Borrower will deliver to the Lenders a statement, certified by a Financial Officer of the Borrower, in form and detail satisfactory to the Administrative Agent, of the amount of the Net Available Proceeds of the Current Disposition and of all such prior Dispositions and will prepay the Loans in an aggregate amount equal to 100% of the Net Available Proceeds of the Current Disposition and such prior Dispositions, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (iv) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Disposition that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d), or otherwise to reinvest the proceeds thereof into the business of the Borrower and its Subsidiaries,

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions or to make such reinvestment as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) or reinvestment within 180 days of such Disposition (it being understood that, in the event Net Available Proceeds from more than one Disposition are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Dispositions occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 180 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions or make such reinvestment, or does not in fact apply such Net Available Proceeds to one or more Acquisitions or reinvestments within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

Notwithstanding the foregoing, to the extent that the amount of the required prepayment on any date is not greater than \$10,000,000, the Borrower shall not be required to make any prepayment of a Eurodollar or Competitive Borrowing until the expiration(s) of the then-current Interest Periods.

(v) DEBT INCURRENCE. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Debt Incurrence not permitted hereunder, on or prior to the date 90 days after the date of any Debt Incurrence, the Borrower shall prepay the Loans in an aggregate amount equal to the portion of the Net Available Proceeds thereof that exceeds (in the aggregate for all Debt Incurrences after the date hereof) \$50,000,000, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (v) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Debt Incurrence that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Debt Incurrence (it being understood that, in the event Net Available Proceeds from more than one Debt Incurrence are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Debt Incurrence occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as

provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(vi) APPLICATION. Prepayments described in this Section 2.11(c) shall be applied as follows:

FIRST, the amount of any such prepayment shall be applied to the Term Loans allocated ratably among the Classes of Term Loans in accordance with the respective outstanding principal amounts thereof, each such prepayment of the Term Loans of any Class to be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order, and

SECOND, after the payment in full of the Term Loans, to prepay Revolving Loans (without reduction of Revolving Commitments), allocated ratably between Classes of Revolving Loans (and, to the extent that there are at the time any unused Tranche II Term Loan Commitments of any Series, such Commitments shall be concurrently reduced in an amount equal to such prepayment of Revolving Loans).

(d) MANDATORY PREPAYMENTS -- CHANGE OF CONTROL. In the event that the Borrower shall be required pursuant to the provisions of any instrument evidencing or governing any Subordinated Indebtedness to redeem, or make an offer to redeem or repurchase, all or any portion of such Subordinated Indebtedness as a result of a change of control (however defined), then, concurrently with the occurrence of the event giving rise to such change of control, the Borrower shall prepay the Loans (and/or provide cover for LC Exposure as specified in Section 2.06(k)) in full, and the Commitments shall be automatically reduced to zero.

(e) NOTICES, ETC. The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Syndicated Borrowing or a Competitive Bid Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; PROVIDED that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Syndicated Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an aggregate principal amount at least equal to \$5,000,000, except as necessary to apply fully the required amount of a mandatory prepayments. Each prepayment of a Syndicated Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. FEES.

(a) FACILITY FEES. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a facility fee, which shall accrue at the Applicable Rate on the greater of (i) the daily average amount of the Revolving Commitment of each Class of such Lender (whether used or unused) and (ii) such Lender's aggregate Revolving Exposure of such Class, such fee to accrue during the period from and including the date hereof to but excluding the date such Revolving Commitment shall have terminated and the date the Revolving Exposure shall have been reduced to zero.

Accrued facility fees shall be payable on each Quarterly Date and on the date the relevant Commitments have terminated and the relevant Revolving Exposure reduced to zero, commencing on the first such date to occur after the date hereof; PROVIDED that any facility fees accruing after the date on which interest on Loans of the respective Class shall be payable on demand shall similarly be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) LETTER OF CREDIT FEES. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Rate applicable to interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC

Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's respective Revolving Commitments terminate and the date on which such Lender ceases to have any LC Exposure, and (ii) to Chase, as an Issuing Lender, a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements and to the Qingdao Letter of Credit) during the period from and including the Effective Date to but excluding the date on which there ceases to be any LC Exposure, and to each Issuing Lender, such Issuing Lender's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such date to occur after the Effective Date; PROVIDED that all such fees shall be payable on the date on which the respective Revolving Commitments terminate and any such fees accruing after the date on which the respective Revolving Commitments terminate shall be payable on demand. Any other fees payable to either Issuing Lender pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) ADMINISTRATIVE AGENT FEES. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) PAYMENT OF FEES. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the respective Issuing Lender, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. INTEREST.

(a) ABR BORROWINGS. The Loans comprising each ABR Borrowing (other than in respect of Swingline Loans, as to which paragraph (d) below shall apply) shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate.

(b) EURODOLLAR BORROWINGS. The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurodollar Syndicated Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing PLUS the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing PLUS (or MINUS, as applicable) the Margin applicable to such Loan.

(c) FIXED RATE BORROWINGS. Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) SWINGLINE BORROWINGS. Each ABR Borrowing constituting a Swingline Loan shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate. Each Swingline Borrowing the interest on which is determined by reference to the Federal Funds Base Rate for any Interest Period therefor shall bear interest at a rate per annum, for each day during such Interest Period, equal to the Federal Funds Base Rate for such period PLUS the then-applicable "Facility Fee Rate" specified in the definition of "Applicable Rate" in Section 1.01 PLUS the Applicable Rate PLUS .50%. Each Swingline Borrowing the interest on which is determined at an alternate rate of interest as contemplated in Section 2.05(b), shall bear interest at the respective alternate rate of interest so agreed for the period so contemplated by Section 2.05(b).

(e) DEFAULT INTEREST. Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration, by mandatory prepayment or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% PLUS the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% PLUS the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(f) PAYMENT OF INTEREST. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans of any Class, upon termination of the Revolving Commitments of such Class; PROVIDED that (i) interest accrued pursuant to paragraph (e) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the Maturity Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Syndicated Borrowing prior to the end of the current Interest Period therefor, accrued interest on such Borrowing shall be payable on the effective date of such conversion.

(g) COMPUTATION. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) if such Borrowing is of a particular Class of Loans (including of a particular Series of Tranche II Term Loans), the Administrative Agent is advised by the Required Lenders of such Class (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Syndicated Borrowing to, or continuation of any Syndicated Borrowing as, a Eurodollar Syndicated Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Syndicated Borrowing, such Borrowing shall be made as an ABR Syndicated Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; PROVIDED that if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby.

SECTION 2.15. INCREASED COSTS.

(a) INCREASED COSTS GENERALLY. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or either Issuing Lender; or

(ii) impose on any Lender or either Issuing Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lenders of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Lender of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) CAPITAL REQUIREMENTS. If any Lender or either Issuing Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Lender's capital or on the capital of such Lender's or such Issuing Lender's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Lender's policies and the policies of such Lender's or such Issuing Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company for any such reduction suffered.

(c) CERTIFICATES FROM LENDERS. A certificate of a Lender or either Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or such Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and

shall be conclusive absent manifest error. The Borrower shall pay such Lender or such Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) DELAY IN REQUESTS. Failure or delay on the part of any Lender or either Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Lender's right to demand such compensation; PROVIDED that the Borrower shall not be required to compensate a Lender or an Issuing Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender or such Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

(e) COMPETITIVE BID LOANS. Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan, Fixed Rate Loan or Swingline FFBR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Syndicated Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(e) and is revoked in accordance herewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event.

In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, OVER (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period.

In the case of a Swingline FFBR Loan, the loss to the Swingline Lender attributable to any such event shall be deemed to include an amount determined by the Swingline Lender to be equal to the excess, if any, of (i) the Federal Funds Base Rate for the period commencing on the date of such payment to but not including the last day of the Interest Period for such Swingline FFBR Loan, OVER (ii) the Federal Funds Base Rate for such Interest Period.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. TAXES.

(a) PAYMENTS FREE OF TAXES. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; PROVIDED that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) PAYMENT OF OTHER TAXES BY BORROWER. In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or such Issuing Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Lender, shall be conclusive absent manifest error.

(d) RECEIPT FOR PAYMENTS. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) FOREIGN LENDERS. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS, ETC.

(a) PAYMENTS BY OBLIGORS. Each Obligor shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or under Section 2.15, 2.16 or 2.17, or otherwise) or under any other Loan Document (except to the extent otherwise provided therein) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except as otherwise expressly provided in the relevant Loan Document, and except payments to be made directly to an Issuing Lender or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Loan Document (except to the extent otherwise provided therein) shall be made in dollars.

(b) APPLICATION IF PAYMENTS INSUFFICIENT. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) PRO RATA TREATMENT. Except to the extent otherwise provided herein: (i) each Syndicated Borrowing of a particular Class shall be made from the relevant Lenders, each payment of facility fee under Section 2.12 shall be made for account of the relevant Lenders, and each termination or reduction of the amount of the Commitments of a particular Class under Section 2.09 shall be applied to the respective Commitments of such Class of the relevant Lenders, pro rata according to the amounts of their respective Commitments of such Class; (ii) Syndicated Borrowings of any Class shall be allocated pro rata among the relevant Lenders according to the amounts of their respective Commitments of such Class (in the case of the making of Syndicated Loans) or their respective Loans of such Class; (iii) Syndicated Eurodollar Loans of any Class having the same Interest Period shall be allocated pro rata among the relevant Lenders according to the amounts of their Commitments or such Class (in the case of the making of Loans) or their respective Loans of such Class (in the case of conversions and continuations of Loans); (iv) each payment or prepayment of principal of Revolving Loans or Term Loans of a particular Class by the Borrower shall be made for account of the relevant Lenders pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans of such Class held by them; and (v) each payment of interest on Loans of any Class by the

Borrower shall be made for account of the relevant Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

(d) SHARING OF PAYMENTS BY LENDERS. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Syndicated Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Syndicated Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon then due than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Syndicated Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Syndicated Loans and participations in LC Disbursements and Swingline Loans; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Obligor pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Obligor consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Obligor rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Obligor in the amount of such participation.

(e) PRESUMPTIONS OF PAYMENT. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Lender, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or such Issuing Lender, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) CERTAIN DEDUCTIONS BY ADMINISTRATIVE AGENT. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(e) or (f), 2.07(b) or 2.18(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(g) EXERCISES OF REMEDIES BY LENDERS. Anything in this Agreement to the contrary notwithstanding (including Section 10.08), each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement (including, without limitation, exercising any rights of off-set) without first obtaining the prior written consent of the Administrative Agent or the Required Lenders, it being the intent of the Lenders that any such action to protect or enforce rights under this Agreement shall be taken in concert and at the direction or with the consent of the Administrative Agent or the Required Lenders and not individually by a single Lender.

SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) DESIGNATION OF DIFFERENT LENDING OFFICE. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) REPLACEMENT OF LENDERS. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any

Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, each Issuing Lender and the Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

GUARANTEE

SECTION 3.01 GUARANTEE. The Subsidiary Guarantors hereby jointly and severally guarantee to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to the Borrower, all indebtedness of the Borrower to any of the Lenders (or any affiliate thereof) in respect of Hedging Agreements, and all other amounts from time to time owing to the Lenders or the Administrative Agent by the Borrower under this Agreement and by any Obligor under any of the other Loan Documents, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the "GUARANTEED OBLIGATIONS"). The Subsidiary Guarantors hereby further jointly and severally agree that if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Subsidiary Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02 OBLIGATIONS UNCONDITIONAL. The obligations of the Subsidiary Guarantors under Section 3.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrower under this Agreement or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. In full recognition and in furtherance of the foregoing, each Subsidiary Guarantor agrees that:

(a) Without affecting the enforceability or effectiveness of Section 3.01 in accordance with its terms and without affecting, limiting, reducing, discharging or terminating the liability of such Subsidiary Guarantor, or the rights, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, the Administrative Agent and the Lenders may, at any time and from time to time and without notice or demand of any kind or nature whatsoever:

(i) amend, supplement, modify, extend, renew, waive, accelerate or otherwise change the time for payment or performance of, or the terms of, all or any part of the Guaranteed Obligations (including any increase or decrease in the rate or rates of interest on all or any part of the Guaranteed Obligations);

(ii) amend, supplement, modify, extend, renew, waive or otherwise change, or enter into or give, any Loan Document or any agreement, security document, guarantee, approval, consent or other instrument with respect to all or any part of the Guaranteed Obligations, any Loan Document or any such other instrument or any term or provision of the foregoing (it being understood that this clause (ii) shall not be

deemed to constitute a consent by any Subsidiary Guarantor to any such amendment with respect to any Loan Document to which it is a party);

(iii) accept or enter into new or additional agreements, security documents, guarantees (including letters of credit) or other instruments in addition to, in exchange for or relative to any Loan Document, all or any part of the Guaranteed Obligations or any collateral now or in the future serving as security for the Guaranteed Obligations;

(iv) accept or receive (including from any other Subsidiary Guarantor) partial payments or performance on the Guaranteed Obligations (whether as a result of the exercise of any right, remedy, power or privilege or otherwise);

(v) accept, receive and hold any additional collateral for all or any part of the Guaranteed Obligations (including from any other Guarantor);

(vi) release, reconvey, terminate, waive, abandon, allow to lapse or expire, fail to perfect, subordinate, exchange, substitute, transfer, foreclose upon or enforce any collateral, security documents or guarantees (including Letters of Credit or the obligations of any other Subsidiary Guarantor) for or relative to all or any part of the Guaranteed Obligations;

(vii) apply any collateral or the proceeds of any collateral or guarantee (including any Letter of Credit or the obligations of any other Subsidiary Guarantor) to all or any part of the Guaranteed Obligations in such manner and extent as the Administrative Agent or any Lender may in its discretion determine;

(viii) release any Person (including any other Subsidiary Guarantor) from any personal liability with respect to all or any part of the Guaranteed Obligations;

(ix) settle, compromise, release, liquidate or enforce upon such terms and in such manner as the Administrative Agent or the Lenders may determine or as applicable law may dictate all or any part of the Guaranteed Obligations or any collateral on or guarantee (including any Letter of Credit issued with respect to) of all or any part of the Guaranteed Obligations;

(x) consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of the Borrower or any other Person (including any other Subsidiary Guarantor);

(xi) proceed against the Borrower, such or any other Subsidiary Guarantor or any other guarantor of (including any issuer of any letter of credit issued with respect to) all or any part of the Guaranteed Obligations or any collateral provided by any Person and exercise the right, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, or otherwise in such order and such manner as the Administrative Agent or any Lender may, in its discretion, determine, without any necessity to proceed upon or against or exhaust any collateral, right, remedy, power or privilege before proceeding to call upon or otherwise enforce Section 3.01 as to any Subsidiary Guarantor;

(xii) foreclose upon any deed of trust, mortgage or other instrument creating or granting liens on any interest in real property by judicial or nonjudicial sale or by deed in lieu of foreclosure, bid any amount or make no bid in any foreclosure sale or make any other election of remedies with respect to such liens or exercise any right of set-off;

(xiii) obtain the appointment of a receiver with respect to any collateral for all or any part of the Guaranteed Obligations and apply the proceeds of such receivership as the Administrative Agent or any Lender may in its discretion determine (it being agreed that nothing in this clause (xiii) shall be deemed to make the Administrative Agent or any Lender a party in possession in contemplation of law, except at its option);

(xiv) enter into such other transactions or business dealings with any other Subsidiary Guarantor, the Borrower, any Subsidiary or Affiliate of the Borrower or any other guarantor of all or any part of the Guaranteed Obligations as the Administrative Agent or any Lender may desire; and

(xv) do all or any combination of the actions set forth in this Section.

(b) The enforceability and effectiveness of this Article and the liability of the Subsidiary Guarantors, and the rights remedies, powers and privileges of the Administrative Agent and the Lenders, under this Agreement or any other agreement or instrument referred to herein or therein, shall not be affected, limited, reduced, discharged or terminated, and each Subsidiary Guarantor hereby expressly waives any defense now or in the future arising, by reason of:

(i) the illegality, invalidity, irregularity, authenticity, or unenforceability of all or any part of the Guaranteed Obligations, this Agreement or any other agreement or instrument referred to herein or therein, or any agreement, security document, guarantee or other instrument relative to all or any part of the Guaranteed Obligations;

(ii) any disability or other defense of the Borrower or any other Subsidiary Guarantor with respect to all or any part of the Guaranteed Obligations or any other guarantor of all or any part of the Guaranteed Obligations (including any issuer of any letters of credit), including the effect of any statute of limitations that may bar the enforcement of all or any part of the Guaranteed Obligations or the obligations of any such other guarantor;

(iii) the illegality, invalidity, irregularity, authenticity or unenforceability of any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations or the lack of perfection or continuing perfection or failure of the priority of any lien on any collateral for all or any part of the Guaranteed Obligations;

(iv) the cessation, for any cause whatsoever, of the liability of the Borrower or any other Subsidiary Guarantor (other than subject to Section 3.05, by reason of the full payment and performance of all Guaranteed Obligations);

(v) any failure of the Administrative Agent or any Lender to marshal assets in favor of the Borrower or any other Person (including any other Subsidiary Guarantor), to exhaust any collateral for all or any part of the Guaranteed Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any other Subsidiary Guarantor, the Borrower, any other guarantor, all or any part of the Guaranteed Obligations (including either Issuing Lender in respect of Letters of Credit) or any other Person or to take any action whatsoever to mitigate or reduce such or any other Subsidiary Guarantor's liability under this Article, neither the Administrative Agent nor any Lender being under any obligation to take any such action notwithstanding the fact that all or any part of the Guaranteed Obligations may be due and payable and that the Borrower may be in default of its obligations under this Agreement or any other agreement or instrument referred to herein or therein;

(vi) any failure of the Administrative Agent or any Lender to give notice after any Default of sale or other disposition of any collateral (including any notice of any judicial or nonjudicial foreclosure or sale of any interest in real property serving as collateral for all or any part of the Guaranteed Obligations) for all or any part of the Guaranteed Obligations to the Borrower, any Subsidiary Guarantor or any other Person or any defect in, or any failure by any Subsidiary Guarantor or any other Person to receive, any notice that may be given in connection with any sale or disposition of any collateral;

(vii) any failure of the Administrative Agent or any Lender to comply with applicable laws in connection with the sale or other disposition of any collateral for all or any part of the Guaranteed Obligations, including any failure to conduct a commercially reasonable sale or other disposition of any collateral for all or any part of the Guaranteed Obligations;

(viii) any judicial or nonjudicial foreclosure or sale of, or other election of remedies with respect to, any interest in real property or other collateral serving as security for all or any part of the Guaranteed Obligations, even though such foreclosure, sale or election of remedies may impair the subrogation rights of any Subsidiary Guarantor or may preclude any Subsidiary Guarantor from obtaining reimbursement, contribution, indemnification or other recovery from any other Subsidiary Guarantor, the Borrower any other guarantor or any other Person and even though the Borrower may not, as a result of such foreclosure, sale or election of remedies, be liable for any deficiency;

(ix) any benefits the Borrower, any Subsidiary Guarantor or any other guarantor may otherwise derive from Sections 580(a), 580(b), 580(d) or 726 of the California Code of Civil Procedure or any comparable provisions of the laws of any other jurisdiction;

(x) any act or omission of the Administrative Agent, any Lender or any other person that directly or indirectly results in or aids the discharge or release of the Borrower or any other Subsidiary Guarantor, of all or any part of the Guaranteed Obligations or any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations by operation of law or otherwise;

(xi) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's principal obligation;

(xii) the possibility that the obligations of the Borrower to the Administrative Agent and the Lenders may at any time and from time to time exceed the aggregate liability of the Subsidiary Guarantors under this Article;

(xiii) any counterclaim, set-off or other claim which the Borrower or any other Subsidiary Guarantor has or alleges to have with respect to all or any part of the Guaranteed Obligations;

(xiv) any failure of the Administrative Agent or any Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person;

(xv) the election by the Administrative Agent or any Lender, in a bankruptcy proceeding of any Person, of the application or nonapplication of Section 1111(b)(2) of the United States Bankruptcy Code;

(xvi) any extension of credit or the grant of any lien under Section 364 of the United States Bankruptcy Code;

(xvii) any use of cash collateral under Section 363 of the United States Bankruptcy Code;

(xviii) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person;

(xix) the avoidance of any lien in favor of the Administrative Agent or any Lender for any reason;

(xx) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any part of the Guaranteed Obligations (or any interest on all or any part of the Guaranteed Obligations) in or as a result of any such proceeding;

(xxi) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, including by reason of Sections 2809, 2810, 2819, 2839, 2845, 2850, 2899, 3275 and 3433 of the California Civil Code, and any future judicial decisions or legislation or of any comparable provisions of the laws of any other jurisdiction; or

(xxiii) diligence, presentment, demand of payment, protest and all notices whatsoever.

(c) Each Subsidiary Guarantor represents and warrants to the Administrative Agent that it has established adequate means of obtaining financial and other information pertaining to the business, operations and condition (financial and otherwise) of the Borrower and its properties on a continuing basis and that such Subsidiary Guarantor is now and will in the future remain fully familiar with the business, operations and condition (financial and otherwise) of the Borrower and its properties. Each Subsidiary Guarantor further represents and warrants that it has reviewed and approved this Agreement and the related Loan Documents and is fully familiar with the transactions contemplated by such Loan Documents and that it will in the future remain fully familiar with such transaction and with any new Loan Documents and the transaction contemplated by such Loan Documents. Each Subsidiary Guarantor hereby expressly waives and relinquishes any duty on the part of the Administrative Agent or the Lenders (should any such duty exist) to disclose to such or any other Subsidiary Guarantor any matter of fact or other information related to the business, operations or condition (financial or otherwise) of the Borrower or its properties or to any Loan Documents or the transactions undertaken pursuant to, or contemplated by, such Loan Documents, whether now or in the future known by the Administrative Agent or any Lender.

SECTION 3.03 REINSTATEMENT. The obligations of the Subsidiary Guarantors under this Article shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder

of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Subsidiary Guarantors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04 SUBROGATION. Each Subsidiary Guarantor hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of any payment by it pursuant to the provisions of this Article and further agrees with the Borrower for the benefit of each of its creditors (including, without limitation, each Lender and the Administrative Agent) that any such payment by it shall, to the fullest extent permitted by law, constitute a dividend on the common stock of such Subsidiary Guarantor owned by the Borrower or a return of capital paid by such Subsidiary Guarantor to the Borrower and, otherwise, an investment in the equity capital of the Borrower by such Subsidiary Guarantor. Each Subsidiary Guarantor understands that, by reason of the foregoing provisions of this Section, the exercise by the Administrative Agent or any Lender of the rights, remedies, powers and privileges that it has under this Article and under the other Loan Documents will result in nonreimbursable liabilities under this Agreement. Nevertheless, each Subsidiary Guarantor hereby authorizes and empowers the Administrative Agent and the Lenders to exercise, in its or their sole discretion, any combination of such rights, remedies, powers and privileges as they, in their sole discretion, shall deem appropriate.

SECTION 3.05 REMEDIES. The Subsidiary Guarantors jointly and severally agree that, as between the Subsidiary Guarantors and the Lenders, the obligations of the Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article VIII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VIII) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of Section 3.01.

SECTION 3.06 CONTINUING GUARANTEE. The guarantee in this Article is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.07 LIMITATION ON GUARANTEE OBLIGATIONS. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Subsidiary Guarantor under Section 3.01 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Subsidiary Guarantor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within each Obligor's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by each Obligor and constitutes, and each of the other Loan Documents to which it is a party when executed and delivered by such Obligor will constitute, a legal, valid and binding obligation of such Obligor, enforceable against each Obligor in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting

the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) such as have been obtained or made and are in full force and effect and (ii) filings and recordings in respect of the Liens created pursuant to the Security Documents, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) except for the Liens created pursuant to the Security Documents, will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders' equity and cash flows (i) as of and for the fiscal year ended February 28, 1997, reported on by Arthur Andersen LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended August 31, 1997, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) of the first sentence of this paragraph.

(b) Since February 28, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole.

SECTION 4.05. PROPERTIES.

(a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal Properties material to its business, subject only to Liens permitted by Section 7.02 and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such Properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.06. LITIGATION.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 4.07. ENVIRONMENTAL MATTERS. Each of the Borrower and its Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except as set forth in Schedule III hereto and except to the extent failure to have any such permit, license or authorization would not (either individually or in the aggregate) have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each of the Borrower and its Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except as set forth in Schedule III hereto and except to the extent failure to comply therewith would not (either individually or in the aggregate) have a Material Adverse Effect.

In addition, except as set forth in Schedule III:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any Release of any Hazardous Materials generated by the Borrower or any of its Subsidiaries, in each case in circumstances which may reasonably be expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any of its Subsidiaries owns, operates or leases a treatment, storage or disposal facility requiring a permit under the Resource Conservation and Recovery Act of 1976, as amended, or under any comparable state or local statute; and

(i) no polychlorinated biphenyls (PCB's) are or have been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(ii) no asbestos or asbestos-containing materials is or has been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iii) there are no underground storage tanks or surface impoundments for Hazardous Materials, active or abandoned, at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iv) no Hazardous Materials have been Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries in a reportable quantity established by statute, ordinance, rule, regulation or order; and

(v) no Hazardous Materials have been otherwise Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

that, in the case of any of clauses (i) through (v) above, may reasonably be expected to have a Material Adverse Effect.

(c) Neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location that is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. Section 300.5 ("CERCLIS"), or on any similar state or local list or that is the subject of Federal, state or local enforcement actions or other investigations that may lead to Environmental Claims in a material amount against the Borrower or any of its Subsidiaries.

(d) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Borrower or any of its Subsidiaries and no site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries is listed or proposed for listing on the NPL, CERCLIS or any similar state list of sites requiring investigation or clean-up.

(e) No Liens have arisen under or pursuant to any Environmental Laws on any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries, and no government action has been taken or is in process that could subject any such site or facility to such Liens and neither the Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any site or facility owned by it in any deed to the real Property on which such site or facility is located.

(f) All environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the Borrower or any of its Subsidiaries in relation to facts, circumstances or conditions at or affecting any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries and that could result in a Material Adverse Effect have been made available to the Lenders.

SECTION 4.08. COMPLIANCE WITH LAWS AND AGREEMENTS. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its Property and all indentures, agreements and other instruments binding upon it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be

expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 4.09. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.10. TAXES. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.11. ERISA. The Borrower and its ERISA Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than to make contributions, pay annual PBGC premiums or pay out benefits in the ordinary course of business).

SECTION 4.12. DISCLOSURE. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Obligors to the Lender in connection with the negotiation of this Agreement and the other Loan Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 4.13. USE OF CREDIT. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of any extension of credit hereunder will be used to buy or carry any Margin Stock.

SECTION 4.14. MATERIAL AGREEMENTS AND LIENS.

(a) Part A of Schedule II is a complete and correct list of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Borrower or any of its Subsidiaries outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$200,000, and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of Schedule II.

(b) Part B of Schedule II is a complete and correct list of each Lien securing Indebtedness of any Person outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$250,000 and covering any Property of the Borrower or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the Property covered by each such Lien is correctly described in Part B of Schedule II.

SECTION 4.15. CAPITALIZATION. The authorized capital stock of the Borrower consists, as at November 30, 1997, of an aggregate of 81,000,000 shares consisting of (i) 60,000,000 shares of Class A common stock, par value \$.01 per share, of which 15,377,187 shares are duly and validly issued and outstanding and 2,199,320 shares are issued and held in treasury, each of which shares is fully paid and nonassessable, (ii) 20,000,000 shares of Class B common stock, par value \$.01 per share, of which 3,330,458 shares are duly and validly issued and outstanding and 625,725 shares are issued and held in treasury, each of which shares is fully paid and nonassessable and (iii) 1,000,000 shares of preferred stock, par value \$.01 per share, none of which are issued or are outstanding.

As at November 30, 1997, 12.13% of such issued and outstanding shares of Class A common stock and 85.22% of such issued and outstanding shares of Class B common stock are owned beneficially and of record by (i) Marvin Sands, his spouse, his children or his grandchildren, (ii) trusts which are for the benefit of Marvin Sands, his spouse, his children or his grandchildren or Andrew Stern, which trusts are under the control of Marvin Sands, his spouse, his children or his grandchildren or (iii) partnerships which are controlled by (and a majority

in interest of the partnership interests in which are owned by) Marvin Sands, his spouse, his children, his grandchildren, by a trust referred to in the foregoing clause (ii) or by a partnership that satisfies the conditions of this clause (iii). The percentage of Class A common stock set forth above does not include shares of Class A common stock (i) that may be acquired by Marvin Sands or his children through the exercise of any stock options or (ii) issuable pursuant to the conversion feature of the Class B common stock owned beneficially and of record by any of the persons, trusts and partnerships referred to in the foregoing clauses (i), (ii) and (iii).

As of the date hereof, (x) except for conversion rights associated with the Class B common stock, purchase rights associated with the Employee Stock Purchase Plan, options associated with the Long-Term Stock Incentive Plan and options listed on Schedule V hereto, there are no outstanding Equity Rights with respect to the Borrower and (y) there are no outstanding obligations of the Borrower or any of its Subsidiaries to repurchase, redeem, or otherwise acquire any shares of capital stock of the Borrower nor, are there any outstanding obligations of the Borrower or any of its Subsidiaries to make payments to any Person, such as "phantom stock" payments, where the amount thereof is calculated with reference to the fair market value or equity value of the Borrower or any Subsidiary. The Borrower has heretofore delivered to the Administrative Agent a complete and correct copy of the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan and the Incentive Stock Option Plan, each as in effect on the date hereof.

SECTION 4.16. SUBSIDIARIES AND INVESTMENTS, ETC.

(a) Set forth in Part A of Schedule IV is a complete and correct list of all of the Subsidiaries of the Borrower as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such Person and the percentage of ownership of such Subsidiary represented by such ownership interests. Except as disclosed in Part A of Schedule IV, (x) each of the Borrower and its Subsidiaries owns, free and clear of Liens (other than Liens created pursuant to the Security Documents), and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it in Part A of Schedule IV, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) there are no outstanding Equity Rights with respect to such Person.

(b) Set forth in Part B of Schedule IV is a complete and correct list of all Investments (other than Investments disclosed in Part A of Schedule IV and other than Investments of the types referred to in clauses (b), (c), (e) or (g) of Section 7.04) held by the Borrower or any of its Subsidiaries in any Person on the date hereof and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in Part B of Schedule IV, each of the Borrower and its Subsidiaries owns, free and clear of all Liens (other than Liens created pursuant to the Security Documents), all such Investments.

(c) None of the Subsidiaries of the Borrower is, on the date hereof, subject to any indenture, agreement, instrument or other arrangement of the type described in Section 7.07 (and not permitted by clauses (i) through (v) of said Section).

SECTION 4.17. REAL PROPERTY. Except with respect to leased space which does not cost in excess of \$25,000 per month in rental expense, set forth in Schedule VI is a list, as of the date of this Agreement, of all the real Property interests held by the Borrower and its Subsidiaries, indicating in each case whether the respective Property is owned or leased, the identity of the owner or lessee and the location of the respective Property.

ARTICLE V

CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective until the date on which the Administrative Agent shall have received each of the following documents, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to each Lender) in form and substance (or such condition shall have been waived in accordance with Section 10.02):

(a) EXECUTED COUNTERPARTS. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) OPINION OF COUNSEL TO THE OBLIGORS. Favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the

Effective Date) of (i) Nixon, Hargrave, Devans & Doyle LLP, counsel for the Obligors, substantially in the form of Exhibit D-1, (ii) Landels, Ripley and Diamond, LLP, special California counsel for the Obligors, substantially in the form of Exhibit D-2 and (iii) Fulton, Hubbard & Hubbard, special Kentucky counsel for the Obligors, substantially in the form of Exhibit D-3, and in each case covering such other matters relating to the Obligors, this Agreement, any other Loan Document or the Transactions as the Required Lenders shall reasonably request (and each Obligor hereby requests each such counsel to deliver such opinion to the Lenders).

(c) OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE. An opinion, dated the Effective Date, of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, substantially in the form of Exhibit E (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(d) CORPORATE DOCUMENTS. Such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Obligor, the authorization of the Transactions and any other legal matters relating to the Obligors, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in the lettered clauses of the first sentence of Section 5.03.

(f) SECURITY AGREEMENT. The Security Agreement, duly executed and delivered by the Borrower, the Subsidiary Guarantors and the Administrative Agent and the certificates identified under the name of such Obligor in Annex 1 thereto, in each case accompanied by undated stock powers executed in blank. In addition, each Obligor shall have taken such other action (including, without limitation, delivering to the Administrative Agent, for filing, appropriately completed and duly executed copies of Uniform Commercial Code financing statements) as the Administrative Agent shall have requested in order to perfect the security interests created pursuant to the Security Agreement.

(g) MORTGAGES; TITLE INSURANCE; ETC.. The following documents each of which shall be executed (and, where appropriate, acknowledged) by Persons satisfactory to the Administrative Agent:

(i) with respect to each Mortgage, an instrument of Modification and Confirmation pursuant to which such Mortgage shall have been amended in form and substance satisfactory to the Administrative Agent to spread the Lien thereof to secure the obligations under this Agreement, in each case duly executed, acknowledged and delivered by the respective parties thereto, in recordable form (in such number of copies as the Administrative Agent shall have requested); and

(ii) mortgagee down-date continuation reports for existing title policies issued pursuant to the Existing Credit Agreement, subject only to such exceptions as are satisfactory to each Lender and, to the extent necessary under applicable law, for filing in the appropriate county land offices, Uniform Commercial Code financing statements covering fixtures, in each case appropriately completed and duly executed.

In addition, the Borrower shall have paid to the respective title companies all expenses of such title companies in connection with the issuance of the down-date continuation reports and in addition shall have paid to such title companies an amount equal to the recording and stamp taxes payable in connection with recording the respective instruments of Modification and Confirmation in the appropriate county land offices.

(h) INSURANCE. Certificates of insurance evidencing the existence of all insurance required to be maintained by the Borrower pursuant to Section 6.05(b) and the designation of the Administrative Agent as the loss payee or additional named insured, as the case may be, thereunder to the extent required by Section 6.05(b), such certificates to be in such form and contain such information as is specified in Section 6.05(b). In addition, the Borrower shall have delivered (i) a certificate of a Financial Officer of the Borrower setting forth the insurance obtained by it in accordance with the requirements of Section 6.05(b) and stating that such insurance is in full force and effect and that all premiums then due and payable thereon have been paid and (ii) a written report, dated reasonably near the Effective Date, of Johnson & Higgins and Accordia of the South, Inc., or any other firm of independent insurance brokers of nationally recognized standing, as to such insurance and stating that, in their opinion, such insurance adequately protects the interests of the Administrative Agent and the Lenders and is in compliance with the provisions of Section 6.05(b).

(i) ENVIRONMENTAL MATTERS. An environmental risk questionnaire with respect to each of the existing sites and facilities that are owned,

operated or leased by the Borrower or any of its Subsidiaries and covered by environmental surveys and assessments delivered pursuant to the Existing Credit Agreement, and such environmental questionnaire (containing such inquiries with respect to environmental matters as shall have been requested by any Lender), and the responses thereto, shall be in form and substance satisfactory to the Administrative Agent. In addition if requested by any Lender, the Borrower shall have provided to the Administrative Agent an environmental assessment prepared by a firm of environmental consultants (familiar with the identification of toxic and hazardous substances), in form and substance satisfactory to the Administrative Agent, based upon physical on-site inspections by such firm of the existing sites and facilities owned, operated or leased by the Borrower or any of its Subsidiaries, as well as a historical review of the uses of such sites and facilities and of the business and operations of the Borrower or any of its Subsidiaries (including any former Subsidiaries or divisions of the Borrower or any of its Subsidiaries that have been disposed prior to the date of the assessment and with respect to which the Borrower or any of its Subsidiaries may have retained liability for Environmental Claims).

(j) SOLVENCY ANALYSIS. A certificate from the chief financial officer of the Borrower to the effect that, as of the Effective Date and after giving effect to the initial extension of credit hereunder and to the other transactions contemplated hereby, (i) the aggregate value of all Properties of the Borrower and its Subsidiaries at their present fair saleable value (I.E., the amount which may be realized within a reasonable time, considered to be six months to one year, either through collection or sale at the regular market value, conceiving the latter as the amount which could be obtained for the Property in question within such period by a capable and diligent business person from an interested buyer who is willing to purchase under ordinary selling conditions), exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of the Borrower and its Subsidiaries, (ii) the Borrower and its Subsidiaries will not, on a consolidated basis, have an unreasonably small capital with which to conduct their business operations as heretofore conducted and (iii) the Borrower and its Subsidiaries will have, on a consolidated basis, sufficient cash flow to enable them to pay their debts as they mature.

(k) REPAYMENT OF EXISTING CREDIT AGREEMENT. Evidence that the principal of and interest on, and all other amounts owing in respect of, the Indebtedness (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) under the Existing Credit Agreement shall have been (or shall be simultaneously) paid in full, that any commitments to extend credit thereunder shall have been (or shall be simultaneously) canceled or terminated and that all Guarantees in respect of, and all Liens securing, any such Indebtedness shall have been assigned or transferred to the Administrative Agent hereunder (or arrangements for such assignment or transfer satisfactory to the Administrative Agent shall have been made).

(l) OTHER DOCUMENTS. Such other documents as the Administrative Agent or any Lender or special New York counsel to Chase may reasonably request.

The obligation of any Lender to make its initial extension of credit hereunder is also subject to the payment by the Borrower of such fees as the Borrower shall have agreed to pay to any Lender or the Administrative Agent in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the extensions of credit hereunder (to the extent that statements for such fees and expenses have been delivered to the Borrower).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) on or prior to 3:00 p.m., New York City time, on December 31, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 5.02. SPECIAL CONDITIONS FOR TRANCHE II TERM LOAN BORROWINGS. The obligation of each Lender to make a Tranche II Term Loan of any Series on the occasion of any Tranche II Term Loan Borrowing is subject to the satisfaction of the following additional conditions:

(a) TRANCHE II TERM LOAN AGREEMENT. Each of the Tranche II Term Loan Lenders in respect of such Series, the Borrower and the Administrative Agent shall have executed the Tranche II Term Loan Agreement for such Series pursuant to which such Lenders agree to become obligated in respect of a Tranche II Term Loan Commitment hereunder.

(b) USE OF PROCEEDS. The Borrower shall have delivered to the Administrative Agent a certificate specifying in reasonable detail the

proposed use of the proceeds of such Tranche II Term Loan Borrowing (which use shall comply with the requirements of Section 6.08).

(c) PRO FORMA COMPLIANCE. The Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer of the Borrower setting forth calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating pro forma compliance with Section 7.08 for (i) the four consecutive fiscal quarters most recently ended prior to the proposed date of the Tranche II Term Loan Borrowing and (ii) the current fiscal quarter and each of the next three succeeding fiscal quarters (in each case on a pro forma basis under the assumption that such Tranche II Term Loan Borrowing and any related Acquisition from the proceeds of such Borrowing had been effected on the first day(s) of such respective period(s)).

(d) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents in connection with such Borrower as the Administrative Agent or any of the Tranche II Term Loan Lenders of such Series or special New York counsel to Chase may reasonably request.

SECTION 5.03. EACH CREDIT EVENT. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of each Issuing Lender to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) the representations and warranties of the Borrower set forth in this Agreement, and of each Obligor in each of the other Loan Documents to which it is a party, shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable; and

(b) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in the preceding sentence.

ARTICLE VI

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Arthur Andersen LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, all certified by a Financial Officer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) of this Section, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a

Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth calculations in form and detail satisfactory to the Administrative Agent demonstrating compliance with Sections 7.01(g), 7.04(i), 7.04(j) and 7.08, (iii) setting forth a calculation of the Debt Ratio as at the end of the respective fiscal period (and indicating which Category of Applicable Rate shall become effective upon the delivery of such financial statements as contemplated by the definition of the term "Applicable Rate" in Section 1.01) and (iv) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) of this Section, (i) a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines) and (ii) a calculation setting forth the amount of Excess Cash Flow for the relevant period for which such Excess Cash Flow is to be calculated under Section 2.11(c) (iii);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any of its Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally or to holders of Subordinated Indebtedness generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries, or compliance with the terms of this Agreement and the other Loan Documents, as the Administrative Agent or any Lender may reasonably request.

SECTION 6.02. NOTICES OF MATERIAL EVENTS. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any of its Affiliates that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;

(d) the assertion of any Environmental Claim by any Person against, or with respect to the activities of, the Borrower or any of its Subsidiaries and any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations, other than any Environmental Claim or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect; and

(e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 6.03. EXISTENCE; CONDUCT OF BUSINESS. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; PROVIDED that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.03.

SECTION 6.04. PAYMENT OF OBLIGATIONS. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.05. MAINTENANCE OF PROPERTIES; INSURANCE. The Borrower will, and

will cause each of its Subsidiaries to, (a) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 6.06. BOOKS AND RECORDS; INSPECTION RIGHTS. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 6.07. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.08. USE OF PROCEEDS AND LETTERS OF CREDIT. The proceeds of the Tranche I Revolving Loans will be used solely to (a) repay on the Effective Date Indebtedness owing under the Existing Credit Agreement, (b) provide working capital for the Borrower and its Subsidiaries, (c) make Acquisitions permitted under Section 7.03, (d) pay the expenses relating to the consummation of the transactions contemplated hereby and (e) to provide funds for the other general corporate purposes (including Capital Expenditures) of the Borrower and its Subsidiaries, PROVIDED that, as provided in Section 7.03(d), the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses referred to in said Section. The proceeds of the Tranche I Term Loans will be used solely to repay on the Effective Date Indebtedness owing under the Existing Credit Agreement. The proceeds of the Tranche II Revolving Loans will be used solely to provide working capital for the Borrower and its Subsidiaries. The proceeds of the Tranche II Term Loans will be used solely in connection with Acquisitions permitted under Section 7.03 (excluding, however, the acquisition of vineyard properties), PROVIDED that an aggregate of up to \$50,000,000 of the proceeds of all Tranche II Term Loan Borrowings may be used for general corporate purposes of the Borrower. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X. Letters of Credit will be issued only to support general corporate purposes of the Borrower and its Subsidiaries.

SECTION 6.09. CERTAIN OBLIGATIONS RESPECTING SUBSIDIARIES.

(a) SUBSIDIARY GUARANTORS. The Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries of the Borrower (other than Excluded Entities) are "Subsidiary Guarantors" hereunder. Without limiting the generality of the foregoing, in the event that the Borrower or any of its Subsidiaries shall acquire or form any new Subsidiary after the date hereof that the Borrower or the respective Subsidiary anticipates will not be an Excluded Entity (or, in the event that any Excluded Entity shall cease to be an Excluded Entity), the Borrower or the respective Subsidiary will cause such new Subsidiary (or such Excluded Entity which ceases to be an Excluded Entity) to

(i) become a "Subsidiary Guarantor" hereunder, and an "Obligor" under the Security Agreement pursuant to a Guarantee Assumption Agreement,

(ii) take such action (including delivering such shares of stock, executing and delivering such Uniform Commercial Code financing statements) as shall be necessary to create and perfect valid and enforceable first priority Liens on substantially all of the personal Property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder and

(iii) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to Section 5.01 on the Effective Date or as the Administrative Agent shall have requested.

(b) OWNERSHIP OF SUBSIDIARIES. The Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that each of its Subsidiaries (other than Joint Venture Entities and Inactive Subsidiaries) is a Wholly-Owned Subsidiary. In the event that any additional shares of stock shall be issued by any Subsidiary, the respective Obligor agrees forthwith to deliver to the Administrative Agent pursuant to the Security Agreement the certificates evidencing such shares of stock, accompanied by undated stock powers executed in blank and to take such other action as the Administrative Agent shall request to perfect the security interest created

therein pursuant to the Security Agreement, PROVIDED that, notwithstanding the foregoing, the Obligors shall not be required to pledge more than 66-2/3% of the outstanding shares of voting stock of any Foreign Subsidiary.

ARTICLE VII

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 7.01. INDEBTEDNESS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Part A of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$1,000,000), PROVIDED that in any event the principal of and interest on, and all other amounts owing in respect of Indebtedness under the Existing Credit Agreement (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) shall be repaid in full on the Effective Date;

(c) Subordinated Indebtedness;

(d) Indebtedness of any Subsidiary to the Borrower or any other Subsidiary;

(e) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(f) Guarantees by the Borrower or by any Subsidiary of Indebtedness of any Person (other than the Borrower or any of its Subsidiaries); PROVIDED that the aggregate principal amount of Indebtedness in respect of all such Guarantees shall not exceed \$25,000,000 at any time outstanding; and

(g) other Indebtedness (including Capital Lease Obligations) of the Borrower and its Subsidiaries, PROVIDED that at the time of the creation, incurrence or assumption thereof and at any time after giving effect thereto the aggregate principal amount of such Indebtedness shall not exceed \$40,000,000.

SECTION 7.02. LIENS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any Property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens created pursuant to the Security Documents (and, prior to the Effective Date, Liens securing Indebtedness under the Existing Credit Agreement);

(b) Permitted Encumbrances;

(c) any Lien on any Property or asset of the Borrower or any of its Subsidiaries existing on the date hereof and set forth in Part B of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$500,000); PROVIDED that (i) no such Lien shall extend to any other Property or asset of the Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien upon tangible personal Property acquired after the date hereof by the Borrower or any of its Subsidiaries, which Lien either (A) existed on such Property before the time of its acquisition and was not created in anticipation thereof, or (B) was created solely for the purpose of securing Indebtedness permitted under Section 7.02(e) representing, or incurred to finance, refinance or refund, the cost of such Property; PROVIDED that (i) such Lien is not created in contemplation of or in connection with such acquisition, (ii) such Lien shall not apply to any other Property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition and extensions, renewals and replacements thereof permitted under clause (e) below; and

(e) any extension, renewal or replacement of the foregoing, provided,

however, that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or Property (other than a substitution of like Property).

SECTION 7.03. FUNDAMENTAL CHANGES. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Borrower will not, nor will it permit any of its Subsidiaries to, acquire any business or Property from, or capital stock of, or be a party to any acquisition of, any Person except purchases of inventory and other Property to be sold or used in the ordinary course of business, Investments permitted under Section 7.04 and Capital Expenditures. The Borrower will not, nor will it permit any of its Subsidiaries to, convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its business or Property, whether now owned or hereafter acquired (including, without limitation, receivables and lease-hold interests, but excluding sales and other dispositions of (i) any inventory or other Property sold or disposed of in the ordinary course of business and on ordinary business terms and (ii) other Property so long as the amount of such other Property sold in any single fiscal year by the Borrower and its Subsidiaries shall have a fair market value not in excess of 3% of the Consolidated Tangible Assets as at the first day of such fiscal year).

Notwithstanding the foregoing provisions of this Section:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into: (i) the Borrower if the Borrower shall be the continuing or surviving corporation or (ii) any Wholly-Owned Subsidiary; PROVIDED that in any such transaction, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any such Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its Property (upon voluntary liquidation or otherwise) to the Borrower or a Wholly-Owned Subsidiary of the Borrower;

(c) the Borrower or any Subsidiary of the Borrower may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of the Borrower, the Borrower is the surviving corporation and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary of the Borrower and (ii) after giving effect thereto no Default would exist hereunder;

(d) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) acquire the business or Property from, or capital stock of, or enter into a joint venture with, or be a party to an Acquisition of another Person, so long as at the time thereof and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect; PROVIDED that the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses;

(e) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) sell, lease, transfer or otherwise dispose of the Madera Wine Cellars facility located in Madera, California;

(f) the Borrower may, for the purpose of transferring its jurisdiction of incorporation from Delaware to another state of incorporation, merge with and into a Wholly-Owned Subsidiary in a transaction constituting a tax-free reorganization under 368(a)(1)(F) of the Code, so long as:

(x) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such merger;

(y) such Subsidiary shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which such Subsidiary shall, effective upon such merger, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents); and

(z) such Subsidiary shall deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 hereof upon the Effective Date or as any Lender or the Administrative Agent shall have requested; and

(g) the Borrower may, for the purpose of making itself a Wholly-Owned Subsidiary of a newly-formed holding company (herein the "HOLDING COMPANY"), enter into a transaction of merger or consolidation with another entity or transfer its assets to another entity (such entity, in either

such case, being herein called the "NEW COMPANY"), so long as:

(u) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such transaction (which notice shall specify the manner and timing in which such transaction is to occur);

(v) in such transaction the shareholders of the Borrower shall receive in exchange for the shares of stock in the Borrower held by them immediately prior to such transaction newly-issued shares of stock in the Holding Company representing substantially the same respective percentage ownership interests in the Holding Company as such shareholders held in the Borrower immediately prior to such transaction;

(w) immediately after giving effect to such transaction, the Borrower (or the New Company, as the case may be) shall be a Wholly-Owned Subsidiary of the Holding Company;

(x) in the event that such transaction constitutes a merger with a New Company in which the Borrower is not the surviving entity or such transaction involves the transfer by the Borrower of its assets to a New Company, the New Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the New Company shall, effective upon such transaction, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents);

(y) the Holding Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the Holding Company shall, effective upon such transaction, guarantee all of the obligations of the Borrower (or the New Company, as the case may be) hereunder and under the Security Documents and pledge all of the shares of stock held by it in the Borrower (or the New Company, as the case may be) and shall take such further action as the Administrative Agent shall request to ensure the perfection and priority of any Liens granted by the Holding Company pursuant to such instrument; and

(z) the Holding Company and the Borrower (or the New Company, as the case may be) shall each deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 upon the Effective Date or as any Lender or the Administrative Agent shall have requested.

SECTION 7.04. INVESTMENTS. The Borrower will not, nor will it permit any of its Subsidiaries to, make or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in Part B of Schedule IV;

(b) operating deposit accounts with banks;

(c) Permitted Investments;

(d) Investments by the Borrower and its Wholly-Owned Subsidiaries in the Borrower and its Wholly-Owned Subsidiaries, PROVIDED that the aggregate amount of such Investments in Foreign Subsidiaries, together with the aggregate amount of Investments in Joint Venture Entities under paragraph (i) below, shall not exceed \$20,000,000 at any one time;

(e) Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(f) Investments permitted pursuant to clause (d) of Section 7.03;

(g) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;

(h) the Senior Subordinated Note Guarantees, and any Guarantee of additional Subordinated Indebtedness that complies with the requirements Section 7.09(b);

(i) Investments by the Borrower and its Subsidiaries in Joint Venture Entities (and Investments by Joint Venture Entities in other Persons), PROVIDED that the aggregate amount of such Investments in Joint Venture Entities, together with the aggregate amount of Investments in Foreign Subsidiaries, under paragraph (d) above, shall not exceed \$20,000,000 at any one time; and

(j) additional Investments by the Borrower (excluding, however, Investments in Joint Venture Entities) up to but not exceeding \$15,000,000 at any one time outstanding.

The aggregate amount of an Investment at any one time outstanding for purposes of clauses (d), (i) and (j) above shall be deemed to be equal to (A) the aggregate amount of cash, together with the aggregate fair market value of Property, loaned, advanced, contributed, transferred or otherwise invested that gives rise to such Investment MINUS (B) the aggregate amount of dividends, distributions or other payments received in cash in respect of such Investment; the amount of an Investment shall not in any event be reduced by reason of any write-off of such Investment nor increased by any increase in the amount of earnings retained in the Person in which such Investment is made that have not been dividended, distributed or otherwise paid out.

SECTION 7.05. RESTRICTED PAYMENTS.

(a) The Borrower will not, nor will it permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that the Borrower may (i) declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock, (ii) make Restricted Payments in respect of stock appreciation rights, or other stock-based awards, as contemplated by the Long-Term Stock Incentive Plan so long as no Default shall have occurred and be continuing or would result therefrom, (iii) cancel or terminate any warrants, options or any other rights to acquire any shares of capital stock of the Borrower in exchange for the issuance of any other warrants, options or rights to acquire shares of capital stock of the Borrower, (iv) repurchase its capital stock to the extent provided in paragraph (b) below and (v) declare and make Restricted Payments in cash, subject (in the case of this clause (v)) to the satisfaction of each of the following conditions on the date of such Restricted Payment and after giving effect thereto:

(w) no Default shall have occurred and be continuing;

(x) the aggregate amount of Restricted Payments made during any fiscal year, including the fiscal year ending February 28, 1998, shall not exceed an amount equal to 50% of consolidated net income of the Borrower and its Consolidated Subsidiaries for such fiscal year;

(y) the Debt Ratio for the period of four consecutive fiscal quarters most recently ended prior to the date of any such Restricted Payment shall not exceed 2.00 to 1; and

(z) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not more than 20 Business Days) prior to the date of declaration of any such Restricted Payment, a certificate of a Financial Officer of the Borrower setting forth computations in reasonable detail demonstrating satisfaction of the foregoing conditions as at the date of such certificate and stating that such Financial Officer believes in good faith that none of such conditions will fail to be satisfied on the date of payment of such Restricted Payment,

it being understood that to the extent the conditions specified in the foregoing clauses (w) through (y) are satisfied on the date of declaration of such Restricted Payment by the board of directors of the Borrower, such Restricted Payment may be made at any time within the 60- day period thereafter, regardless of whether such conditions continue to be satisfied.

(b) The Borrower may on any date make any Restricted Payment consisting of a repurchase of its capital stock, PROVIDED that:

(i) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not earlier than the first day of the current fiscal quarter) prior to such date, a certificate of a Financial Officer of the Borrower setting forth an aggregate amount (herein, the "PROPOSED AMOUNT") proposed to be expended by the Borrower in respect of such repurchase and calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating on a pro forma basis that the Borrower would have been in compliance with Section 7.08 during the four quarter period most-recently ended, and during the four-quarter period following the date of such Restricted Payment, in each case after giving effect to Restricted Payments in the Proposed Amount;

(ii) the Borrower will not make Restricted Payments under this paragraph (b) in excess of the Proposed Amount without delivering to the Administrative Agent pursuant to clause (i) above another calculation (with respect to an additional "Proposed Amount") demonstrating pro forma compliance as described in said clause (i) with respect to such additional "Proposed Amount"; and

(iii) the Borrower will not make any Restricted Payment under this paragraph (b) unless at the time thereof, and after giving effect thereto, no Default shall have occurred and be continuing.

(c) Nothing in this Section shall be deemed to prohibit the payment of dividends by any Subsidiary of the Borrower to the Borrower or to any other Subsidiary of the Borrower.

SECTION 7.06. TRANSACTIONS WITH AFFILIATES. The Borrower will not, nor will it permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates; PROVIDED that (x) any Affiliate who is an individual may serve as a director, officer or employee of the Borrower or any of its Subsidiaries and receive reasonable compensation for his or her services in such capacity and (y) the Borrower and its Subsidiaries may enter into transactions (other than extensions of credit by the Borrower or any of its Subsidiaries to an Affiliate) providing for the leasing of Property, the rendering or receipt of services or the purchase or sale of inventory and other Property in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower and its Subsidiaries as the monetary or business consideration which would obtain in a comparable transaction with a Person not an Affiliate.

During any period that the Borrower is a public company regulated by, and required to file regular periodic reports with, the Securities and Exchange Commission, any compensation paid to an executive officer of the Borrower (who is an Affiliate) which has been specifically approved by the board of directors of the Borrower (or by the Compensation Committee of the board of directors of the Borrower) during such period will be deemed to be reasonable for purposes of the foregoing. Notwithstanding the foregoing, the Borrower may enter into so-called split-dollar life insurance agreements with Affiliates substantially in the form of Schedule VII, so long as the aggregate amount of premiums payable by the Borrower during any fiscal year pursuant to such agreements shall not exceed \$2,000,000 in the aggregate.

SECTION 7.07. CERTAIN RESTRICTIONS ON SUBSIDIARIES. The Borrower will not permit any of its Subsidiaries (other than Joint Venture Entities) to enter into, after the date hereof, any indenture, agreement, instrument or other arrangement that, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the incurrence or payment of Indebtedness, the granting of Liens, the declaration or payment of dividends, the making of loans, advances, guarantees or Investments or the sale, assignment, transfer or other disposition of Property; PROVIDED that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing pursuant to the Senior Subordinated Note Indenture (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), or pursuant to any additional Subordinated Indebtedness to the extent that such restrictions are not less favorable to the Borrower than those contained in the Senior Subordinated Note Indenture, (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) as applied to Liens, the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) as applied to Liens, the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 7.08. CERTAIN FINANCIAL COVENANTS.

(a) DEBT RATIO. The Borrower will not permit the Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	4.50 to 1
From 3/1/99 through 2/29/00	4.00 to 1
From 3/1/00 and at all times thereafter	3.50 to 1

(b) SENIOR DEBT RATIO. The Borrower will not permit the Senior Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	3.50 to 1
From 3/1/99 and at	

(c) INTEREST COVERAGE RATIO. The Borrower will not permit the Interest Coverage Ratio to be less than 3.25 to 1 at any time.

(d) FIXED CHARGES RATIO. The Borrower will not permit the Fixed Charges Ratio to be less than 1.00 to 1 as at the last day of any fiscal quarter of each fiscal year.

SECTION 7.09. SUBORDINATED INDEBTEDNESS. The Borrower may after the date hereof incur additional Subordinated Indebtedness subject to the following conditions (each of which shall have been fulfilled in form and substance satisfactory to the Required Lenders):

(a) such Indebtedness shall be subordinated to the obligations of the Borrower to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(b) such Indebtedness shall be an obligation of the Borrower only, and none of its Subsidiaries shall be contingently or otherwise obligated in respect thereof, unless subordinated to the obligations of such Subsidiary to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(c) to the extent required pursuant to Section 2.11(c)(v), proceeds of such Indebtedness shall be applied to prepay Loans in the manner provided in Section 2.11(c)(v);

(d) the terms of such Indebtedness shall not provide for payment of any portion of the principal thereof prior to the date six months after the final maturity of the Loans hereunder;

(e) terms in respect of financial and other covenants, events of default and mandatory prepayments applicable to such Indebtedness shall have been reasonably determined by the Required Lenders to be terms that are at the time customary in the market for subordinated debt being incurred by borrowers, and in transactions, comparable in the reasonable judgment of the Required Lenders to the Borrower and proposed debt issuance (it being understood that the terms in respect of financial and other covenants, events of default and mandatory prepayments included in the Senior Subordinated Note Indenture are, in the judgment of the Required Lenders, comparable to those customary in such market);

(f) at the time of issuance of such Indebtedness, and after giving effect thereto, the Borrower shall be in compliance with Section 7.08 (the determination of such ratios to be calculated under the assumption that such Indebtedness was issued, at the beginning of the respective period and that any other Indebtedness to be retired with the proceeds thereof was in fact retired on such date of issuance), and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect setting forth in reasonable detail the computations necessary to determine such compliance; and

(g) at the time of such issuance, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer to such effect.

Neither the Borrower nor any of its Subsidiaries shall purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Subordinated Indebtedness, except that the Borrower may (i) make payments on the regularly-scheduled payment dates with respect to the principal of and interest on the Subordinated Indebtedness as in effect on the date hereof (or, as to any Subordinated Indebtedness issued after the date hereof, as originally in effect), and (ii) so long as no Default shall have occurred and be continuing (or will occur as a result of such payment), from the proceeds of Subordinated Indebtedness issued in accordance with the first paragraph of this Section, redeem Subordinated Indebtedness that is being refinanced as contemplated in clause (c) of the first paragraph of this Section. Neither the Borrower nor any of its Subsidiaries will consent to any modification, supplement or waiver of any of the provisions of any Subordinated Indebtedness without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.10. MODIFICATIONS OF CERTIFICATE OF INCORPORATION. Notwithstanding the provisions of clause (f) or (g) of Section 7.03, the

Borrower will not modify or supplement its Certificate of Incorporation as in effect on the date hereof in any manner adverse to the interests of the Lenders without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.11. INVENTORY LOCATED IN OFF-PREMISES WAREHOUSES. The Borrower will not, nor will it permit any of its Subsidiaries to, maintain inventory at Off-Premises Warehouses in an amount in excess of \$50,000,000 (as to the Borrower and all Subsidiaries) at any time unless the Borrower or such Subsidiary has taken such steps as are necessary to ensure that the Administrative Agent has a valid prior perfected security interest in such inventory (including, without limitation, the filing of an appropriate uniform commercial code financing statement in the respective jurisdiction in which such inventory is located naming the Borrower or such Subsidiary as "secured party" and the delivery of satisfactory evidence that such an arrangement constitutes a consignment or first priority perfected security interest under applicable law and that such security interest has been validly assigned to the Administrative Agent under the Security Agreement).

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or under any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of two or more Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall prove to have been incorrect when made or deemed made in any material respect;

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.02, 6.03 (with respect to the Borrower's existence) or 6.09 or in Article VII;

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or any other Loan Document and such failure shall continue unremedied for a period of 45 or more days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;

(f) the Borrower or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; PROVIDED that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the Property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any of its Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in excess of \$500,000 in the aggregate (exclusive of judgment amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$5,000,000 in the aggregate (regardless of insurance coverage) shall be rendered against the Borrower or any of its Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any of its Subsidiaries to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a reasonable basis shall exist for the assertion against the Borrower or any of its Subsidiaries of (or there shall have been asserted against the Borrower or any of its Subsidiaries) claims or liabilities, whether accrued, absolute or contingent, based on or arising from the generation, storage, transport, handling or disposal of Hazardous Materials by the Borrower or any of its Subsidiaries or Affiliates, or any predecessor in interest of the Borrower or any of its Subsidiaries or Affiliates, or relating to any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries or Affiliates, which claims or liabilities (insofar as they are payable by the Borrower or any of its Subsidiaries but after deducting any portion thereof which is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor), in the judgment of the Required Lenders are reasonably likely to be determined adversely to the Borrower or any of its Subsidiaries, and the amount thereof is, singly or in the aggregate, reasonably likely to have a Material Adverse Effect;

(n) common stock of the Borrower (after giving effect to the exercise of all outstanding Equity Rights, other than the conversion of shares of Class B common stock into shares of Class A common stock), which in the aggregate represents voting power to elect at least 50% (in number of votes) of the board of directors of the Borrower, shall cease to be owned or otherwise controlled by (i) Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, (ii) trusts for the benefit of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or any trust for the benefit of Andrew Stern, which trusts are under the control of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or (iii) partnerships which are controlled by (and a majority in interest of the partnership interests in which are owned by) Marvin Sands, his children, his grandchildren, any spouse of any of the foregoing persons, by a trust referred to in the foregoing clause (ii) or by any partnership that satisfies the conditions of this clause (iii); or

(o) any Lien created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Administrative Agent, free and clear of all other Liens (other than Liens permitted under Section 7.02 or under the respective Security Documents), or, except for expiration in accordance with its terms, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, or the enforceability thereof shall be contested by any Obligor;

then, and in every such event (other than an event with respect to any Obligor described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii)

declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; and in case of any event with respect to any Obligor described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Lenders hereby irrevocably appoints the Administrative Agent as its agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein and in the other Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein or therein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for an Obligor), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a commercial bank having an office in New York City and capital and surplus of at least \$500,000,000. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Lenders, appoint a successor Administrative Agent meeting the qualifications described above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Except as otherwise provided in Section 10.02(b) with respect to this Agreement, the Administrative Agent may, with the prior consent of the Required Lenders (but not otherwise), consent to any modification, supplement or waiver under any of the Loan Documents, PROVIDED that, without the prior consent of each Lender, the Administrative Agent shall not (except as provided herein or in the Security Documents) release any collateral or otherwise terminate any Lien under any Security Document providing for collateral security, agree to additional obligations being secured by such collateral security (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document, in which event the Administrative Agent may consent to such junior Lien provided that it obtains the consent of the Required Lenders thereto) or alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents, except that no such consent shall be required, and the Administrative Agent is hereby authorized, to release any Lien covering Property that is the subject of either a disposition of Property permitted hereunder or a disposition to which the Required Lenders have consented.

Without the authorization of the Required Lenders, neither the Administrative Agent nor any Lender shall send to the Borrower or the Trustee under the Senior Subordinated Note Indenture any notice of a Default or Event of Default hereunder if such notice would result in a payment block in respect of the Senior Subordinated Notes.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or any Subsidiary Guarantor, to it at 116 Buffalo Street, Canandaigua, New York 14424-1086, Attention of Robert Sands, Esq. (Telecopy No. (716) 394-6017);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention Loan and Agency Services Group (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Elizabeth Iacoviello (Telecopy No. 212-270-6937);

(c) if to either Issuing Lender, to it at such address as may be notified by it to the other parties hereto;

(d) if to the Swingline Lender, to it at such address as may be notified by it to the other parties hereto; and

(e) if to a Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. WAIVERS; AMENDMENTS.

(a) NO DEEMED WAIVERS; REMEDIES CUMULATIVE. No failure or delay by the Administrative Agent, either Issuing Lender or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Lenders and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Obligor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or either Issuing Lender may have had notice or knowledge of such Default at the time.

(b) AMENDMENTS. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; PROVIDED that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied as between the Lenders or Classes of Loans, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release any Subsidiary Guarantor from any of its guarantee obligations under Article III without the written consent of each Lender; and PROVIDED FURTHER that (x) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, either Issuing Lender or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, and (y) that any modification or supplement of Article III shall require the consent of each Subsidiary Guarantor.

Anything in this Agreement to the contrary notwithstanding, no waiver or modification of any provision of this Agreement that has the effect (either immediately or at some later time) of enabling the Borrower to satisfy a condition precedent to the making of a Revolving Loan, or Tranche II Term Loan of any Series, shall be effective against the Lenders of such Class for purposes of the respective Tranche I Revolving Commitments, Tranche II Revolving Commitments or Tranche II Term Loan Commitments of such Series, as applicable, unless the Required Lenders of such Class shall have concurred with such waiver or modification, and no waiver or modification of any provision of this Agreement or any other Loan Document that could reasonably be expected to adversely affect the Lenders of any Class shall be effective against the Lenders of such Class unless the Required Lenders of such Class shall have concurred with such waiver or modification.

SECTION 10.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) COSTS AND EXPENSES. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by either Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Administrative Agent, either Issuing Lender or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, either Issuing Lender or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents,

including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof and (iv) and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by any Security Document or any other document referred to therein.

(b) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Issuing Lender and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by either Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) REIMBURSEMENT BY LENDERS. To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, an Issuing Lender or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; PROVIDED that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Lender or the Swingline Lender in its capacity as such.

(d) WAIVER OF CONSEQUENTIAL DAMAGES, ETC. To the extent permitted by applicable law, no Obligor shall assert, and each Obligor hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) PAYMENTS. All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.04. SUCCESSORS AND ASSIGNS.

(a) ASSIGNMENTS GENERALLY. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Obligor may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Obligor without such consent shall be null and void), PROVIDED that any merger or consolidation involving any Obligor permitted under Section 7.03 shall not be deemed to be an assignment for purposes of this paragraph (a). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Lenders and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ASSIGNMENTS BY LENDERS. Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); PROVIDED that:

(i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the respective Issuing Lender and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld),

(ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment(s), the amount of the Commitment(s) of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent,

(iii) each partial assignment of the Loans or Commitments of any Class shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement in respect of such Class, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans,

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and

(v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

PROVIDED FURTHER that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VIII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 10.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) MAINTENANCE OF REGISTER BY ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, either Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) EFFECTIVENESS OF ASSIGNMENTS. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) PARTICIPATIONS. Any Lender may, without the consent of the Borrower, the Administrative Agent, either Issuing Lender or the Swingline Lender, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments and the Loans owing to it); PROVIDED that (i) such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Lenders and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to

paragraph (b) of this Section.

(f) LIMITATIONS ON RIGHTS OF PARTICIPANTS. A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) PLEDGES. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; PROVIDED that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) NO ASSIGNMENTS TO OBLIGORS OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan or LC Exposure held by it hereunder to the Borrower or any of its Affiliates or Subsidiaries without the prior consent of each Lender.

SECTION 10.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, either Issuing Lender or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, 3.03 and 10.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Obligor against any of and all the obligations of any Obligor now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) GOVERNING LAW. This Agreement shall be construed in accordance with and

governed by the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. Each Obligor hereby irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, either Issuing Lender or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) WAIVER OF VENUE. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) SERVICE OF PROCESS. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. TREATMENT OF CERTAIN INFORMATION; CONFIDENTIALITY.

(a) TREATMENT OF CERTAIN INFORMATION. The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender and the Borrower hereby authorizes each Lender to share any information delivered to such Lender by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) of this Section as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

(b) CONFIDENTIALITY. Each of the Administrative Agent, the Issuing Lenders and the Lenders agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to bank examiners (or any other regulatory authority having jurisdiction over any Lender or the Administrative Agent), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this paragraph, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (vii) with the consent of the Borrower or (viii) to the

extent such Information (A) becomes publicly available other than as a result of a breach of this paragraph or (B) becomes available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis from a source other than an Obligor. For the purposes of this paragraph, "INFORMATION" means all information received from any Obligor or any of its Subsidiaries or Joint Venture Entities relating to any Obligor, its business or any such Subsidiary or Joint Venture Entity, other than any such information that is available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis prior to disclosure by an Obligor. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Unless specifically prohibited by applicable law or court order, each Lender and the Administrative Agent shall, prior to disclosure thereof, notify the Borrower of any request for disclosure of any Information (A) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or (B) pursuant to legal process, and will permit the Borrower (to the extent the same would not adversely affect such Lender or the Administrative Agent) to pursue available remedies to resist such disclosure and or obtain a protective order limiting such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CANANDAIGUA BRANDS, INC.

By /s/ Thomas S. Summer

Title: Chief Financial Officer

SUBSIDIARY GUARANTORS

BATAVIA WINE CELLARS, INC.
CANANDAIGUA EUROPE LIMITED
CANANDAIGUA WINE COMPANY, INC
ROBERTS TRADING CORP.

By /s/ Thomas S. Summer

Title: Treasurer

BARTON INCORPORATED
BARTON BRANDS, LTD.
BARTON BEERS, LTD.
BARTON BRANDS OF CALIFORNIA, INC.
BARTON BRANDS OF GEORGIA, INC.
BARTON DISTILLERS IMPORT CORP.
MONARCH IMPORT COMPANY
STEVENS POINT BEVERAGE CO.
THE VIKING DISTILLERY, INC.

By /s/ Raymond E. Powers

Title: Treasurer

BARTON FINANCIAL CORPORATION

By /s/ Raymond E. Powers

Title: President

LENDERS

THE CHASE MANHATTAN BANK,
individually, as Swingline Lender
and as Administrative Agent

By /s/ Carol A. Ulmer

Title: Vice President

CREDIT SUISSE FIRST BOSTON

By /s/ Joel Glodowski

Title: Managing Director

By /s/ Daniel R. Wenger

Title: Associate

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Judith L. Mayberry

Title: Authorized Agent

FLEET BANK

By /s/ Martin K. Birmingham

Title: Vice President

THE BANK OF NOVA SCOTIA

By /s/ J. Alan Edwards

Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By /s/ Jim Brown

Title: Vice President

CREDIT AGRICOLE INDOSUEZ

By /s/ W. Leroy Startz

Title: First Vice President

By /s/ Katherine L. Abbott

Title: First Vice President

CREDIT LYONNAIS, NEW YORK BRANCH

By /s/ Vladimir Labun

Title: First Vice President - Manager

MANUFACTURERS AND TRADERS TRUST
COMPANY

By /s/ Philip M. Smith

Title: Regional Senior Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A. "RABOBANK
NEDERLAND", NEW YORK BRANCH

By /s/ Angelo J. Balestrieri

Title: Vice President

By /s/ W. Pieter C. Kodde

Title: Vice President

THE SUMITOMO BANK, LIMITED

By /s/ James Drum

Title: Vice President, NY Office

By /s/ William N. Paty

Title: Vice President and Manager

US TRUST

By /s/ Thomas Z. Macina

Title: Vice President

WELLS FARGO BANK, N.A.

By /s/ Clifford Lawrence

Title: Vice President

CORESTATES BANK, NATIONAL ASSOCIATION

By /s/ Robert A. Brown

Title: Vice President

THE FUJI BANK LIMITED, NEW YORK BRANCH

By /s/ Teljl Teramoto

Title: Vice President & Manager

KEYBANK NATIONAL ASSOCIATION

By /s/ Michael Landini

Title: Vice President

THE LONG TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH

By /s/ Jun Ebihara

Title:

MELLON BANK

By /s/ Peyton R. Latimer

Title: Senior Vice President

MERITA BANK LTD

By /s/ Frank Maffei

Title: Vice President

By /s/ Clifford Abramsky

Title: Vice President

NATIONAL CITY BANK

By /s/ Lisa B. Lisi

Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION

By /s/ Thomas R. Colwell

Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yasuhiro Terada

Title: Senior Vice President

SANWA BANK LTD.

By /s/ Paul Judicke

Title: Vice President

STATE STREET BANK AND TRUST COMPANY

By /s/ Chris Del Signore

Title:

SUMITOMO TRUST & BANKING CO., LTD.,
NEW YORK BRANCH

By /s/ Suraj P. Bhatia

Title: Senior Vice President
Manager, Corporate Finance Dept.

SUNTRUST BANK, ATLANTA

By /s/ Robert V. Honeycutt

Title: Vice President

By /s/ William McEhl

Title: B.O.

TOKAI BANK LTD., NEW YORK BRANCH

By /s/ Kaoru Oda

Title: Assistant General Manager

CREDIT AGREEMENT BETWEEN THE REGISTRANT,
ITS PRINCIPAL OPERATING SUBSIDIARIES, AND CERTAIN BANKS FOR WHICH
THE CHASE MANHATTAN BANK ACTS AS ADMINISTRATIVE AGENT

LIST OF OMITTED SCHEDULES AND EXHIBITS

SCHEDULE I	- Commitments
SCHEDULE II	- Material Agreements and Liens
SCHEDULE III	- Litigation and Environmental Matters
SCHEDULE IV	- Subsidiaries and Investments
SCHEDULE V	- Stock Options
SCHEDULE VI	- Real Property
SCHEDULE VII	- Life Insurance Agreements
EXHIBIT A	- Form of Assignment and Acceptance
EXHIBIT B	- Form of Security Agreement
EXHIBIT C	- Form of Guarantee Assumption Agreement
EXHIBIT D-1	- Form of Opinion of Special Counsel to Obligors
EXHIBIT D-2	- Form of Opinion of California Counsel to Obligors
EXHIBIT D-3	- Form of Opinion of Kentucky Counsel to Obligors
EXHIBIT E	- Form of Opinion of Special New York Counsel to The Chase Manhattan Bank

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CREDIT AGREEMENT

dated as of

December 19, 1997

between

CANANDAIGUA BRANDS, INC.

The SUBSIDIARY GUARANTORS Party Hereto

The LENDERS Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

\$325,000,000

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SCHEDULE VI - Real Property
SCHEDULE VII - Life Insurance Agreements

- EXHIBIT A - Form of Assignment and Acceptance
EXHIBIT B - Form of Security Agreement
EXHIBIT C - Form of Guarantee Assumption Agreement
EXHIBIT D - Forms of Opinions of Counsel to the Obligors
EXHIBIT E - Form of Opinion of Special New York Counsel to The Chase Manhattan Bank

CREDIT AGREEMENT dated as of December 19, 1997, between CANANDAIGUA BRANDS, INC. (formerly known as Canandaigua Wine Company, Inc.), the SUBSIDIARY GUARANTORS party hereto, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Borrower (as hereinafter defined) has requested that the Lenders (as so defined) extend credit (by means of loans and letters of credit) to it in an aggregate principal amount not exceeding \$325,000,000 at any one time outstanding (which amount may, in the circumstances herein provided be increased to \$525,000,000), to refinance certain existing indebtedness and to finance the ongoing working capital requirements and other general corporate purposes (including certain acquisitions) of the Borrower and its subsidiaries. The Lenders are prepared to extend such credit upon the terms and conditions hereof and, accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ACQUISITION" means an acquisition by the Borrower or any of its Subsidiaries of a business and the related assets of any Person (whether by way of purchase of assets or stock, including any tender for outstanding shares of stock, by merger or consolidation, by acceptance of a contribution of capital from another Person, or otherwise).

"ADJUSTED CASH FLOW" means, for any period (the "CALCULATION PERIOD"), the

sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) Operating Cash Flow for the calculation period MINUS (b) Capital Expenditures made during the calculation period (excluding Capital Expenditures made from the proceeds of Indebtedness other than Indebtedness hereunder).

"ADJUSTED LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period MULTIPLIED BY (b) the Statutory Reserve Rate.

"ADJUSTMENT AMOUNT" means, for any period, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the amount of any income or expense included in the determination of net operating income for such period as a result of changes in the LIFO Reserve.

"ADMINISTRATIVE AGENT" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day PLUS 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means (a) with respect to any Tranche I Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche I Revolving Commitments, (b) with respect to any Tranche II Revolving Lender for purposes of Sections 2.05 and 2.06, the percentage of the total Revolving Commitments represented by such Lender's Tranche II Revolving Commitments, (c) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement relating to Letters of Credit or Swingline Loans, the percentage of the total Revolving Commitments or Loans hereunder represented by the aggregate amount of such Lender's Revolving Commitment or Loans hereunder and (d) with respect to any Lender in respect of any indemnity claim under Section 10.03(c) arising out of an action or omission of the Administrative Agent under this Agreement (other than one relating to Letters of Credit or Swingline Loans), the percentage of the total Commitments or Loans of all Classes hereunder represented by the aggregate amount of such Lender's Commitments or Loans of all Classes hereunder.

"APPLICABLE RATE" means, for any day, with respect to any ABR Loan (including any Swingline ABR Loan), Eurodollar Syndicated Loan or Swingline FFBR Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread" (in the case of ABR Loans), "Fixed Rate Revolving Spread" (in the case of Eurodollar Syndicated Revolving Loans or Swingline FFBR Loans), "Fixed Rate Term Loan Spread" (in the case of Eurodollar Syndicated Term Loans) or "Facility Fee Rate", respectively, based upon the Debt Ratio as of the most recent determination date; PROVIDED that until delivery of the consolidated financial statements specified below for the fiscal year of the Borrower ending February 28, 1998, the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 4:

DEBT RATIO:	ABR Spread	Fixed Rate Revolving Spread	Fixed Rate Term Loan Spread	Facility Fee Rate
CATEGORY 1 > 4.25x	.000	.900	1.250	.350
CATEGORY 2 <= 4.25x and > 4.00x	.000	.700	1.000	.300
CATEGORY 3 <= 4.00x and > 3.50x	.000	.600	.875	.275
CATEGORY 4 <= 3.50x and > 3.00x	.000	.500	.750	.250
CATEGORY 5				

<= 3.00x and > 2.50x	.000	.425	.625	.200

CATEGORY 6				
<= 2.50x and > 2.00x	.000	.325	.500	.175

CATEGORY 7				
<= 2.00x	.000	.250	.400	.150
=====				

For purposes of the foregoing, (i) the Debt Ratio shall be determined as of the end of each fiscal quarter of the Borrower's fiscal year based upon the Borrower's consolidated financial statements delivered pursuant to Section 6.01(a) or (b) and (ii) each change in the Applicable Rate resulting from a change in the Debt Ratio shall be effective during the period commencing on and including the date three Business Days after delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; PROVIDED that the Debt Ratio shall be deemed to be in Category 1 (A) at any time that an Event of Default has occurred and is continuing and (B) if the Borrower fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 6.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

Notwithstanding the foregoing, the "Applicable Rate" for any Tranche II Term Loan of any Series shall be the respective rates specified in the Tranche II Term Loan Agreement for such Series.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER" means Canandaigua Brands, Inc. (formerly known as Canandaigua Wine Company, Inc.), a Delaware corporation.

"BORROWING" means (a) Syndicated Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"BORROWING REQUEST" means a request by the Borrower for a Syndicated Borrowing in accordance with Section 2.03.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; PROVIDED that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAPITAL EXPENDITURES" means, for any period, expenditures (including the aggregate amount of Capital Lease Obligations incurred during such period) made by the Borrower or any of its Consolidated Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP. Notwithstanding the foregoing, no Acquisition permitted pursuant to Section 7.03(d) shall be treated as a Capital Expenditure.

"CAPITAL LEASE" of any Person means any lease of (or other arrangement conveying the right to use) real or personal Property, or a combination thereof, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any Capital Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CASUALTY EVENT" means, with respect to any Property of any Person, any loss of or damage to, or any condemnation or other taking of, such Property for which such Person or any of its Subsidiaries receives insurance proceeds, or proceeds of a condemnation award or other compensation.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or either Issuing Lender (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Lender's holding company, if any)

with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHASE" means The Chase Manhattan Bank.

"CLASS", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans, Tranche II Term Loans, Competitive Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Tranche I Revolving Commitment, Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment.

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

"COLLATERAL ACCOUNT" has the meaning assigned to such term in Section 4.01 of the Security Agreement.

"COMMITMENT" means a Tranche I Revolving Commitment, a Tranche II Revolving Commitment, Tranche I Term Loan Commitment or Tranche II Term Loan Commitment, or any combination thereof (as the context requires).

"COMPETITIVE BID" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"COMPETITIVE BID RATE" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"COMPETITIVE BID REQUEST" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"COMPETITIVE LOAN" means a Loan made pursuant to Section 2.04.

"CONSOLIDATED SUBSIDIARY" means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"CONSOLIDATED TANGIBLE ASSETS" means, as at any date, the total assets of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) that would be shown as tangible assets on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries. For purposes hereof, "TANGIBLE ASSETS" means all assets of the Borrower and its Consolidated Subsidiaries other than assets that should be classified as intangibles including goodwill, minority interests, research and development costs, trademarks, trade names, copyrights, patents and franchises, unamortized debt discount and expense, all reserves and any write-up in the book value of assets resulting from a revaluation thereof subsequent to December 31, 1996.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"DEBT INCURRENCE" means the incurrence by the Borrower or any of its Subsidiaries after the Effective Date of any Subordinated Indebtedness.

"DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"DEFAULT" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"DISCLOSED MATTERS" means the actions, suits and proceedings and the environmental matters disclosed in Schedule III.

"DISPOSITION" means any sale, assignment, transfer or other disposition of any Property (whether now owned or hereafter acquired) by the Borrower or any of

its Subsidiaries to any other Person excluding (a) any sale, assignment, transfer or other disposition of any Property sold or disposed of in the ordinary course of business and on ordinary business terms and (b) any Sale and Leaseback Transaction.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"EMPLOYEE STOCK PURCHASE PLAN" means the Canandaigua Brands, Inc. 1989 Employee Stock Purchase Plan.

"ENVIRONMENTAL CLAIM" means, with respect to any Person, (a) any written or oral notice, claim, demand or other communication (collectively, a "CLAIM") by any other Person alleging or asserting such Person's liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other Property, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or Release into the environment, of any Hazardous Material at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, without limitation, any claim by any governmental authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY ISSUANCE" means (a) any issuance or sale by the Borrower or any of its Subsidiaries after the Effective Date of (i) any of its capital stock, (ii) any warrants or options exercisable in respect of its capital stock or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in the Borrower or any of its Subsidiaries or (b) the receipt by the Borrower or any of its Subsidiaries after the Effective Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); PROVIDED that Equity Issuance shall not include (x) any such issuance or sale by any Subsidiary of the Borrower to the Borrower or any Wholly-Owned Subsidiary of the Borrower or (y) any capital contribution by the Borrower or any Wholly-Owned Subsidiary of the Borrower to any Subsidiary of the Borrower.

"EQUITY RIGHTS" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind for the issuance or sale by such Person of, or securities convertible into, any additional shares of capital stock of any class of such Person, or partnership or other ownership interests of any type in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA EVENT" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan

administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCESS CASH FLOW" means, for any fiscal year, the sum of (a) Adjusted Cash Flow for such fiscal year (determined without regard to the Adjustment Amount) MINUS (b) Fixed Charges for such fiscal year PLUS (c) the sum (if positive), or MINUS the sum (if negative), of the aggregate amount of "change in operating assets and liabilities, net of effects from purchases of businesses" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year, excluding, however, any portion of such amount attributable to non-cash adjustments (other than any non-cash adjustments related to Acquisitions) PLUS (d) the aggregate amount (if positive), or MINUS the aggregate amount (if negative), of "(repayment of) proceeds from notes payable, short-term borrowings" as set forth on the consolidated statements of cash flows for the Borrower and its Subsidiaries for such fiscal year (excluding the repayment of short-term borrowings from the proceeds of an Equity Issuance or Debt Incurrence).

"EXCLUDED ENTITIES" means, collectively, Inactive Subsidiaries, Joint Venture Entities and Foreign Subsidiaries.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender, either Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or is attributable to such Foreign Lender's failure or inability to comply with Section 2.17(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"EXISTING CREDIT AGREEMENT" means the Third Amended and Restated Credit Agreement dated as of September 1, 1995 between the Borrower, the Banks party thereto and Chase, as Administrative Agent, as in effect on the date hereof.

"FFBR", when used in reference to any Swingline Loan, refers to whether such Loan bears interest at a rate determined by reference to the Federal Funds Base Rate.

"FEDERAL FUNDS BASE RATE" means, for any Interest Period for any Swingline Loan, the rate per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) determined by the Swingline Lender to be equal to the rate charged to the Swingline Lender on Federal funds transactions for such Interest Period with members of the Federal Reserve System arranged by Federal funds brokers on such day.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"FIRST CHICAGO" means The First National Bank of Chicago.

"FIXED CHARGES" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without

duplication in accordance with GAAP), of the following: (a) all payments of principal of Indebtedness scheduled to be made during such period PLUS (b) all Interest Expense for such period PLUS (c) the aggregate amount of federal and state taxes paid during such period to the extent that net operating income for such period pursuant to clause (a) of the definition of "Operating Cash Flow" in this Section has been calculated before giving effect to such taxes PLUS (d) the aggregate amount of Restricted Payments made pursuant to Section 7.05 (other than pursuant to clause (a)(i) thereof) during such period.

"FIXED CHARGES RATIO" means, as at any date, the ratio of (a) Adjusted Cash Flow for the period of four consecutive fiscal quarters ending on or most recently ended prior to such date to (b) Fixed Charges for such period.

"FIXED RATE" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"FIXED RATE LOAN" means a Competitive Loan bearing interest at a Fixed Rate.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARIES" means any Subsidiary organized under the laws of any country other than the United States of America, or a State thereof, which (if such Subsidiary were to become a Subsidiary Guarantor hereunder) the Borrower and the Administrative Agent have determined would result in adverse tax consequences under Section 956 of the Code. For purposes hereof, it is agreed that as of the date hereof each of Canandaigua World Sales Limited and BB Servicios, S.A. de C.V. are "Foreign Subsidiaries".

"GAAP" means generally accepted accounting principles in the United States of America.

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE" of or by any Person (the "GUARANTOR") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease Property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; PROVIDED, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"GUARANTEE ASSUMPTION AGREEMENT" means a Guarantee Assumption Agreement substantially in the form of Exhibit C by an entity that, pursuant to Section 6.09(a) is required to become a "Subsidiary Guarantor" hereunder in favor of the Administrative Agent.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGING AGREEMENT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"INACTIVE SUBSIDIARY" means, as at any date, any Subsidiary of the Borrower that, as at the end of and for the quarterly accounting period ending on or most recently ended prior to such date, shall have less than \$100,000 in assets and less than \$100,000 in gross revenues.

"INCENTIVE STOCK OPTION PLAN" means the Canandaigua Brands, Inc. Incentive Stock Option Plan dated June 23, 1997.

"INDEBTEDNESS" of any Person means, without duplication, (a) all

obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to Property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of Property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INTEREST COVERAGE RATIO" means, as at any date of determination thereof, the ratio of (a) Operating Cash Flow for the period of four fiscal quarters ending on or most recently ended prior to such date to (b) Interest Expense for such period.

"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Syndicated Borrowing in accordance with Section 2.08.

"INTEREST EXPENSE" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest in respect of Indebtedness (including the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) PLUS (b) the net amounts payable (or MINUS the net amounts receivable) under Interest Rate Protection Agreements accrued during such period (whether or not actually paid or received during such period) MINUS (c) all interest income during such period.

"INTEREST PAYMENT DATE" means (a) with respect to any ABR Syndicated Loan, each Quarterly Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"INTEREST PERIOD" means (a) with respect to any Eurodollar Syndicated Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, (b) with respect to any Eurodollar Competitive Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as specified in the applicable Competitive Bid Request, (c) with respect to any Fixed Rate Borrowing, the period (which shall not be more than 90 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request, and (d) with respect to any Swingline FFBR Borrowing, the period commencing on the date of such Borrowing and ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, as the Borrower may elect; PROVIDED, that

(i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and

(ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Syndicated Borrowing, thereafter shall be the effective date of the most recent conversion or

continuation of such Borrowing.

"INTEREST RATE PROTECTION AGREEMENT" means any Hedging Agreement that consists of an interest rate protection agreement or other interest rate hedging arrangement providing for the transfer or mitigation of interest risks either generally or under specific contingencies.

"INVESTMENT" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 120 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

"ISSUING LENDER" means (i) Chase, in its capacity as the issuer of Letters of Credit (other than the Qingdao Letter of Credit) hereunder and (ii) First Chicago, in its capacity as the issuer of the Qingdao Letter of Credit hereunder, and their respective successors in such capacity as provided in Section 2.06(j).

"JOINT VENTURE ENTITY" means, collectively, (i) any Subsidiary of the Borrower that is not a Wholly-Owned Subsidiary and (ii) any Subsidiary of any Joint Venture Entity described in the foregoing clause (i), PROVIDED that in any event, until such time (if ever) as it shall become a Wholly-Owned Subsidiary, Polyphenolics, LLC shall be deemed to be a "Joint Venture Entity".

"LC DISBURSEMENT" means a payment made by an Issuing Lender pursuant to a Letter of Credit.

"LC EXPOSURE" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time PLUS (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total LC Exposure at such time.

"LENDERS" means the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"LETTER OF CREDIT" means any letter of credit issued pursuant to this Agreement.

"LETTER OF CREDIT DOCUMENTS" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period.

In the event that such rate is not available at such time for any reason, then the LIBO Rate with respect to such Eurodollar Borrowing for such Interest Period shall be the rate (rounded upwards, if necessary, to the next 1/16 of 1%) at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of Chase in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional

sale agreement, Capital Lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LIFO RESERVE" means, for any period, for the Borrower and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the reserve established as at the end of such period by the Borrower to reflect the difference, if any, between (a) the cost of inventory using the last-in first-out method of accounting therefor and (b) the cost of inventory using the first-in first-out method of accounting therefor.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Letter of Credit Documents, the Security Documents and the Tranche II Agreements.

"LOANS" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"LONG-TERM STOCK INCENTIVE PLAN" means the Canandaigua Brands, Inc. Long-Term Stock Incentive Plan dated June 23, 1997.

"MARGIN" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"MARGIN STOCK" means "margin stock" within the meaning of Regulations G, T, U and X of the Board.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (b) the legal ability or financial capacity of any Obligor to perform any of its obligations under this Agreement or any of the other Loan Documents to which it is a party or (c) the rights of or benefits available to the Lenders under this Agreement or any of the other Loan Documents. Material Adverse Effect shall also include, for purposes of Section 4.07, any material adverse effect upon the operation of any of the facilities owned, operated or leased by the Borrower or any of its Subsidiaries.

"MATERIAL INDEBTEDNESS" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$500,000. For purposes of determining Material Indebtedness, the "PRINCIPAL AMOUNT" of the obligations of any Person in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Hedging Agreement were terminated at such time.

"MATURITY DATE" means the Quarterly Date falling on or nearest to June 1, 2003.

"MORTGAGES" means, collectively, the respective Deeds of Trust and Mortgages executed and delivered by the Borrower and its Subsidiaries pursuant to the Existing Credit Agreement (or pursuant to earlier restatements thereof or pursuant to the original Credit Agreement dated as of September 30, 1991), covering the properties of the respective Obligors identified in Parts A and B of Schedule VI, in each case as such Deeds of Trust and Mortgages have been heretofore modified, as such Deeds of Trust and Mortgages shall be modified pursuant to instruments of Modification and Confirmation executed and delivered pursuant to Section 5.01(g), and as such Deeds of Trust and Mortgages shall be further modified and supplemented and in effect from time to time.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET AVAILABLE PROCEEDS" means:

(i) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition;

(ii) in the case of any Casualty Event, the aggregate amount of proceeds of insurance, condemnation awards and other compensation received by the Borrower and its Subsidiaries in respect of such Casualty Event net of (A) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (B) contractually required repayments of Indebtedness (other than Indebtedness to the Lenders hereunder) to the extent secured by a Lien on such Property and any income and transfer taxes payable by the Borrower or any of its Subsidiaries in respect of such Casualty Event;

(iii) in the case of any Equity Issuance, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Equity Issuance (net of reasonable expenses incurred by the

Borrower and its Subsidiaries in connection therewith); and

(iv) in the case of any Debt Incurrence, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Debt Incurrence (net of (x) reasonable expenses incurred by the Borrower and its Subsidiaries in connection therewith and (y) cash proceeds so received and applied to refinance other Subordinated Indebtedness as contemplated by Section 7.09).

"NET CASH PAYMENTS" means, with respect to any Disposition, the aggregate amount of all cash payments received by the Borrower and its Subsidiaries directly or indirectly in connection with such Disposition; PROVIDED that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Borrower and its Subsidiaries in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated to be payable by the Borrower and its Subsidiaries as a result of such Disposition (but only to the extent that such estimated taxes are in fact paid to the relevant Federal, state or local governmental authority within three months of the date of such Disposition) and (b) Net Cash Payments shall be net of any repayments by the Borrower or any of its Subsidiaries of Indebtedness to the extent that (i) such Indebtedness is secured by a Lien on the Property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such Property requires that such Indebtedness be repaid as a condition to the purchase of such Property.

"NOTES" means promissory notes from time to time executed and delivered pursuant to Section 2.10(f).

"OBLIGOR" means the Borrower and each Subsidiary Guarantor.

"OFF-PREMISES WAREHOUSES" means all warehouses and other bailment facilities owned and operated by Persons other than any Obligor that are not located on Property owned or leased by any Obligor and in which inventory is maintained from time to time.

"OPERATING CASH FLOW" means, for any period, the sum, for the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) net operating income (calculated before income taxes, interest income, Interest Expense, extraordinary and unusual items and income or loss attributable to equity in Affiliates) for such period PLUS (b) depreciation and amortization (to the extent deducted in determining net operating income) for such period PLUS (c) the Adjustment Amount for such period, if such Adjustment Amount is expense (or MINUS the Adjustment Amount for such period, if such Adjustment Amount is income).

Notwithstanding the foregoing, if during any period for which Operating Cash Flow is being determined the Borrower or any of its Subsidiaries shall have consummated any Acquisition or Disposition then, for all purposes of this Agreement (other than for purposes of determining Excess Cash Flow), Operating Cash Flow shall be determined on a PRO FORMA basis as if such Acquisition or Disposition had been made or consummated on the first day of such period.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PERMITTED ENCUMBRANCES" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 6.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, bankers' and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 6.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VIII; and

(f) easements, zoning restrictions, rights-of-way and similar

encumbrances on real Property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected Property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

PROVIDED that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"PERMITTED INVESTMENTS" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard & Poor's Ratings Group or from Moody's Investors Services, Inc.;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of (x) any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000 or (y) any Lender hereunder; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PROPERTY" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"QINGDAO LETTER OF CREDIT" means Letter of Credit No. 04021104 issued by First Chicago to Qingdao Brewery, 56 Dengzhou Road, Qingdao, People's Republic of China, as such Letter of Credit shall, subject to the provisions of Sections 2.06(b) and 2.06(1), be modified, renewed and reissued from time to time.

"QINGDAO LETTER OF CREDIT LIMIT" means (i) as of the Effective Date, \$553,407, and (ii) as of the date of any modification or renewal or reissuance of the Qingdao Letter of Credit, the amount specified by First Chicago, as an Issuing Lender, to the Administrative Agent and the Borrower at the time of such modification, renewal or reissuance as the new "Qingdao Letter of Credit Limit" for purposes of this Agreement.

"QUARTERLY DATES" means the 1st day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof; PROVIDED that if any such day is not a Business Day, then such Quarterly Date shall be the next succeeding Business Day.

"REGISTER" has the meaning set forth in Section 10.04.

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

"REQUIRED LENDERS" means, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing at least 66-2/3% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time; PROVIDED that, for purposes of declaring the Loans to be due and

payable pursuant to Article VIII, and for all purposes after the Loans become due and payable pursuant to Article VIII or the Revolving Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Exposures in determining the Required Lenders. The "Required Lenders" of a particular Class of Loans means Lenders having Revolving Exposures, Term Loans and unused Commitments of such Class representing at least 66-2/3% of the sum of the total Revolving Exposures, Term Loans and unused Commitments of such Class at such time.

"RESTRICTED PAYMENT" means any dividend or other distribution (whether in cash, securities or other Property) with respect to any shares of any class of capital stock of the Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Borrower.

"REVOLVING AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Commitments.

"REVOLVING COMMITMENTS" means, collectively, the Tranche I Revolving Commitments and the Tranche II Revolving Commitments.

"REVOLVING EXPOSURE" means, collectively, the Tranche I Revolving Exposure and the Tranche II Revolving Exposure.

"REVOLVING LENDERS" means, collectively, the Tranche I Revolving Lenders and the Tranche II Revolving Lenders.

"REVOLVING LOANS" means, collectively, the Tranche I Revolving Loans and the Tranche II Revolving Loans.

"SALE AND LEASEBACK TRANSACTION" means a transaction or series of transactions pursuant to which the Borrower or any Subsidiary shall sell or transfer to any Person (other than the Borrower or a Subsidiary) any Property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Borrower or any Subsidiary shall rent or lease as lessee, or similarly acquire the right to possession or use of, such Property or one or more Properties which it intends to use for the same purpose or purposes as such Property, and in circumstances that give rise to a Capital Lease Obligation of the Borrower or one or more of its Subsidiaries.

"SECURITY AGREEMENT" means a Security Agreement substantially in the form of Exhibit B between the Borrower, the Subsidiary Guarantors and the Administrative Agent.

"SECURITY DOCUMENTS" means, collectively, the Security Agreement, the Mortgages and all Uniform Commercial Code financing statements required by the Security Agreement or the Mortgages to be filed with respect to the security interests in personal Property and fixtures created pursuant to the Security Agreement or the Mortgages.

"SENIOR DEBT RATIO" means, as at the last day of any fiscal quarter of the Borrower (the "DAY OF DETERMINATION"), the ratio of (a) the average of the aggregate amounts of Indebtedness (other than any Subordinated Indebtedness) of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, without duplication, in accordance with GAAP) as at such day and as at the last days of each of the three immediately preceding fiscal quarters to (b) Operating Cash Flow for the period of four consecutive fiscal quarters ending on such day of determination. Notwithstanding the foregoing, Indebtedness as at the last day of each fiscal quarter included in the determination of average Indebtedness pursuant to clause (a) above shall be determined under the assumption that any prepayment of Term Loans hereunder from the proceeds of any Equity Issuance or Debt Incurrence at any time during any such fiscal quarter included in the calculation thereof shall have been made in the first such fiscal quarter.

"SENIOR SUBORDINATED NOTE GUARANTEES" means, collectively, the Guarantees, pursuant to Section 1014 or Article 14 of the Senior Subordinated Note Indenture, by each Subsidiary Guarantor of the punctual payment and performance when due of all of the Borrower's Indenture Obligations (as defined in the Senior Subordinated Note Indenture).

"SENIOR SUBORDINATED NOTES" means the Borrower's Senior Subordinated Notes due 2003 issued pursuant to the Senior Subordinated Note Indenture.

"SENIOR SUBORDINATED NOTE INDENTURE" means, collectively, (a) the Indenture dated as of December 27, 1993 between the Borrower, the Subsidiary Guarantors and Chase (as successor by merger to Chemical Bank), as trustee, and (b) the Indenture dated as of October 29, 1996 between the Borrower, the Subsidiary Guarantors and Harris Trust and Savings Bank, as trustee.

"SERIES" has the meaning set forth in Section 2.01(c).

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one MINUS the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBORDINATED INDEBTEDNESS" means, collectively, (a) Indebtedness of the Borrower in respect of the Senior Subordinated Notes and (b) other Indebtedness incurred in accordance with the provisions of Section 7.09.

"SUBSIDIARY" means, with respect to any Person (the "PARENT") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"SUBSIDIARY GUARANTOR" means each of the Subsidiaries of the Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto and each Subsidiary of the Borrower that becomes a "Subsidiary Guarantor" after the date hereof pursuant to Section 6.09(a).

"SWINGLINE EXPOSURE" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender of any Class at any time shall be its Applicable Percentage of such Class of the total Swingline Exposure at such time.

"SWINGLINE LENDER" means Chase, in its capacity as Lender of Swingline Loans hereunder, or such other Lender as the Borrower may from time to time select as the Swingline Lender hereunder pursuant to Section 2.05(e).

"SWINGLINE LOAN" means a Loan made pursuant to Section 2.05.

"SYNDICATED LOANS" means, collectively, the Tranche I Revolving Loans, Tranche II Revolving Loans, Tranche I Term Loans and Tranche II Term Loans.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TERM LOAN COMMITMENTS" means, collectively, the Tranche I Term Loan Commitments and Tranche II Term Loan Commitments.

"TERM LOAN LENDERS" means, collectively, the Tranche I Term Loan Lenders and Tranche II Term Loan Lenders.

"TERM LOAN PRINCIPAL PAYMENT DATES" means, collectively, the Tranche I Term Loan Principal Payment Dates and Tranche II Term Loan Principal Payment Dates, as applicable.

"TERM LOANS" means, collectively, the Tranche I Term Loans and the Tranche II Term Loans.

"TRANCHE I REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche I Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche I Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Revolving Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Revolving Commitments is \$185,000,000.

"TRANCHE I REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche I Revolving Loans and its Tranche I Revolving LC Exposure and Tranche I Revolving Swingline Exposure at such time.

"TRANCHE I REVOLVING LENDERS" means a Lender with a Tranche I Revolving Commitment or, if the Tranche I Revolving Commitments have terminated or expired, a Lender with Tranche I Revolving Exposure.

"TRANCHE I REVOLVING LOAN" means a Loan made pursuant to Section 2.01(a), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE I TERM LOAN COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche I Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Tranche I Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche I Term Loan Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche I Term Loan Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche I Term Loan Commitments is \$140,000,000.

"TRANCHE I TERM LOAN LENDER" means a Lender with a Tranche I Term Loan Commitment or an outstanding Tranche I Term Loan.

"TRANCHE I TERM LOAN PRINCIPAL PAYMENT DATES" means the Quarterly Dates falling on or nearest to March 1, June 1, September 1 and December 1 of each year, commencing with March 1, 1998, through and including June 1, 2003.

"TRANCHE I TERM LOANS" means a Loan made pursuant to Section 2.01(b), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II AGREEMENTS" means, collectively, the Tranche II Revolving Agreements and the Tranche II Term Loan Agreements.

"TRANCHE II COMMITMENTS" means, collectively, the Tranche II Revolving Commitments and the Tranche II Term Loan Commitments.

"TRANCHE II LOANS" means, collectively, the Tranche II Revolving Loans and the Tranche II Term Loans.

"TRANCHE II REVOLVING AGREEMENT" means, with respect to any Series of Tranche II Revolving Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Revolving Commitment of such Series hereunder.

"TRANCHE II REVOLVING COMMITMENT" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche II Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche II Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Revolving Commitment shall be determined in accordance with the provisions of Section 2.01(c).

"TRANCHE II REVOLVING EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Tranche II Revolving Loans and its Tranche II Revolving LC Exposure and Tranche II Revolving Swingline Exposure at such time.

"TRANCHE II REVOLVING LENDERS" means a Lender with a Tranche II Revolving Commitment or, if the Tranche II Revolving Commitments have terminated or expired, a Lender with Tranche II Revolving Exposure.

"TRANCHE II REVOLVING LOAN" means a "Tranche II Revolving Loan" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANCHE II TERM LOAN AGREEMENT" means, with respect to any Series of Tranche II Term Loans, an agreement between the Borrower and one or more Lenders pursuant to which each such Lenders agrees to become obligated in respect of a Tranche II Term Loan Commitment of such Series hereunder.

"TRANCHE II TERM LOAN AVAILABILITY PERIOD" means the period from and including the Effective Date to and including the Tranche II Term Loan Commitment Termination Date.

"TRANCHE II TERM LOAN COMMITMENT" of any Series means, with respect to each Lender, the commitment, if any, of such Lender to make one or more Tranche II Term Loans of such Series, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or 2.11 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Tranche II Term Loan Commitment of any Series will be specified in the Tranche II Term Loan Agreement for such Series, or will be set forth in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche II Term Loan Commitment of such Series, as

applicable.

"TRANCHE II TERM LOAN COMMITMENT TERMINATION DATE" means, December 29, 2000 or, if such day is not a Business Day, the next preceding Business Day.

"TRANCHE II TERM LOAN LENDER" means, in respect of any Series of Tranche II Term Loans, a Lender with a Tranche II Term Loan Commitment of such Series or, if the Tranche II Term Loan Commitments of such Series have terminated or expired, a Lender with outstanding Tranche II Term Loans of such Series.

"TRANCHE II TERM LOAN PRINCIPAL PAYMENT DATES" means, for any Series of Tranche II Term Loans, the dates specified in the Tranche II Term Loan Agreement for such Series as the dates upon which payments of principal in respect of the Tranche II Term Loans of such Series are to be made.

"TRANCHE II TERM LOANS" means the "Tranche II Term Loans" provided for by Section 2.01(c), which may be ABR Loans and/or Eurodollar Loans.

"TRANSACTIONS" means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is intended to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"TYPE", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"WHOLLY-OWNED SUBSIDIARY" means, with respect to any Person, any corporation, partnership or other entity of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. For purposes hereof, BB Servicios, S.A. de C.V. shall be deemed to be a Wholly-Owned Subsidiary so long as the direct or indirect ownership interest of the Borrower therein shall not fall below that indicated on Schedule IV.

"WITHDRAWAL LIABILITY" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Tranche I Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Loan"); each Series of Tranche II Term Loans shall be deemed a separate Class of Loans hereunder. Borrowings also may be classified and referred to by Class (e.g., a "Tranche I Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Tranche I Revolving Borrowing"); and each Series of Tranche II Term Loan Borrowings and Tranche II Term Loan Commitments shall be deemed a separate Borrowing and Commitment hereunder. Swingline ABR Loans and Swingline FFBC Loans shall be deemed to be Loans of the same Class but different Types.

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "Property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; PROVIDED that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision

shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.01. THE COMMITMENTS.

(a) TRANCHE I REVOLVING LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make Tranche I Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in (i) such Lender's Tranche I Revolving Exposure exceeding such Lender's Tranche I Revolving Commitment or (ii) the sum of the total Tranche I Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Tranche I Revolving Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche I Revolving Loans.

(b) TRANCHE I TERM LOANS. Subject to the terms and conditions set forth herein, each Lender agrees to make one or more Tranche I Term Loans to the Borrower on the Effective Date in a principal amount equal to its Tranche I Term Loan Commitment. Amounts repaid in respect of Tranche I Term Loans may not be reborrowed.

(c) TRANCHE II LOANS. In addition to borrowings of Tranche I Revolving Loans and Tranche I Term Loans, at any time and from time to time on or before the Tranche II Term Loan Commitment Termination Date, the Borrower may request that the Lenders offer to enter into commitments to make additional revolving loans (which shall be "Tranche II Revolving Loans") or additional term loans (which shall be "Tranche II Term Loans") to the Borrower hereunder (it being understood that such offer may be made by any financial institution that is to become a Lender hereunder in connection with the making of such offer under this paragraph (c), so long as the Administrative Agent shall have consented to such financial institution being a Lender hereunder, it being understood that such consent shall not be unreasonably withheld). In the event that one or more of the Lenders offer, in their sole discretion, to enter into such commitments, and such Lenders and the Borrower agree as to the amount of such commitments that shall be allocated to the respective Lenders making such offers, as to the fees (if any) to be payable by the Borrower in connection therewith and the Applicable Rate and (in the case of Tranche II Term Loans) the amortization relating thereto, the Borrower, the Administrative Agent and such Lenders shall execute and deliver a Tranche II Revolving Loan Agreement or Tranche II Term Loan Agreement, as applicable, and such Lenders shall become obligated to make Tranche II Revolving Loans or Tranche II Term Loans, as applicable, under this Agreement in an amount equal to the amount of their respective Tranche II Revolving Commitments and Tranche II Term Loan Commitments, as applicable, as specified in such Agreement. The Tranche II Loans to be made pursuant to any Tranche II Agreement in response to any such request by the Borrower shall be deemed to be a separate "SERIES" of Tranche II Revolving Loans or Tranche II Term Loans, as applicable, for all purposes of this Agreement.

Anything herein to the contrary notwithstanding, (i) the minimum aggregate principal amount of Tranche II Commitments entered into pursuant to any such request (and, accordingly, the minimum aggregate principal amount of any Series of Tranche II Loans) shall be \$50,000,000, (ii) the aggregate outstanding principal amount of Tranche II Loans of all Series, together with the aggregate unutilized Tranche II Commitments of all Series, shall not exceed \$200,000,000 at any time, PROVIDED that the Borrower may not make any request for Tranche II Commitments hereunder after December 31, 1999 to the extent that, after giving effect to any Tranche II Commitments issued in response to such request, the aggregate outstanding principal amount of Tranche II Loans and unutilized Tranche II Commitments would exceed \$100,000,000, (iii) no single Lender (and its Affiliates) may have Commitments and Loans (including Incremental Commitments and Incremental Loans) aggregating more than 20% of the total outstanding Commitments and Loans of all Classes (other than Competitive Loans), (iv) the Tranche II Term Loan Commitments of any Series shall terminate on the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series and (v) in no event shall the Tranche II Term Loan Agreement for any Series of Tranche II Term Loans provide for the final maturity of the Tranche II Term Loans of such Series to be later than June 1, 2003, nor shall such Agreement provide for amortization of the Tranche II Term Loans of such Series at a rate faster (i.e. earlier) than the rate of amortization of the Tranche I Term Loans (the determination of whether or not such amortization is faster to be made by the Administrative Agent).

Following agreement by the Borrower and one or more of the Lenders as provided above, subject to the terms and conditions set forth herein:

(x) each Tranche II Revolving Lender of any Series agrees to make Tranche II Revolving Loans of such Series to the Borrower from time to time

during the Revolving Availability Period, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Revolving Commitment of such Series of such Tranche II Revolving Lender; within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Tranche II Revolving Loans of any Series as the Borrower shall from time to time select; and

(y) each Tranche II Term Loan Lender of any Series agrees to make Tranche II Term Loans of such Series to the Borrower from time to time during the period from and including the earlier of the Tranche II Term Loan Commitment Termination Date and the date three months after the date of the respective Tranche II Term Loan Agreement for such Series, in an aggregate principal amount up to but not exceeding the amount of the Tranche II Term Loan Commitment of such Series of such Tranche II Term Loan Lender.

SECTION 2.02. LOANS AND BORROWINGS.

(a) OBLIGATION OF LENDERS. Each Syndicated Loan shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; PROVIDED that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) TYPE OF LOANS. Subject to Section 2.14, (i) each Syndicated Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; PROVIDED that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) MINIMUM AMOUNTS. At the commencement of each Interest Period for any Eurodollar Syndicated Borrowing, such Borrowing shall be in an aggregate amount of \$3,000,000 or a larger multiple of \$100,000. At the time that each ABR Syndicated Borrowing is made, such Borrowing shall be in an aggregate amount equal to \$3,000,000 or a larger multiple of \$100,000; PROVIDED that an ABR Syndicated Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of the applicable Class or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f). Each Tranche II Term Loan Borrowing shall be in an aggregate amount equal to \$50,000,000 or a larger multiple of \$100,000 (PROVIDED that a Tranche II Term Loan Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Tranche II Term Loan Commitments). Each Competitive Borrowing shall be in an aggregate amount equal to \$10,000,000 or a larger multiple of \$5,000,000. Each Swingline Loan shall be in an amount equal to \$500,000 or a larger multiple of \$100,000. Borrowings of more than one Type and Class may be outstanding at the same time; PROVIDED that there shall not at any time be more than a total of twenty (20) Eurodollar Syndicated Borrowings, Competitive Borrowings and Swingline Borrowings outstanding.

(d) CONVERSION OR CONTINUATION OF EURODOLLAR LOANS. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert to or continue as a Syndicated Eurodollar Borrowing: (i) any Revolving Borrowing or Competitive Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date; (ii) any Term Loan Borrowing of any Class if the Interest Period requested with respect thereto would end after the Maturity Date for the Term Loans of such Class; or (iii) any Term Loan of any Class if the Interest Period therefor would commence before and end after any Term Loan Principal Payment Date for such Class unless, after giving effect thereto, the aggregate principal amount of the Term Loans of such Class having Interest Periods that end after such Term Loan Principal Payment Date shall be equal to or less than the aggregate principal amount of the Term Loans of such Class permitted to be outstanding after giving effect to the payments of principal required to be made on such Term Loan Principal Payment Date.

SECTION 2.03. REQUESTS FOR SYNDICATED BORROWINGS. To request a Syndicated Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Syndicated Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(f) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the

Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Tranche I Revolving Borrowing, Tranche II Revolving Borrowing, Tranche I Term Loan Borrowing or Tranche II Term Loan Borrowing (including, if applicable, the respective Series of Tranche II Term Loans to which such Borrowing relates);

(ii) the aggregate amount of the requested Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Syndicated Borrowing is specified, then the requested Syndicated Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Syndicated Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. COMPETITIVE BID PROCEDURE.

(a) REQUESTS FOR BIDS BY BORROWER. Subject to the terms and conditions set forth herein, from time to time during the Revolving Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; PROVIDED that the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Revolving Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; PROVIDED that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Revolving Lenders of the details thereof by telecopy, inviting the Revolving Lenders to submit Competitive Bids.

(b) MAKING OF BIDS BY LENDERS. Each Revolving Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Revolving Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the

case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be \$5,000,000 or a larger multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) NOTIFICATION OF BIDS BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify the Borrower by teletype of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) ACCEPTANCE OF BIDS BY BORROWER. Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by teletype in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; PROVIDED, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) of this proviso, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) of this proviso, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a principal amount of \$5,000,000 or a larger multiple of \$1,000,000; PROVIDED FURTHER that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) of the first proviso of this paragraph, such Competitive Loan may be in an amount of \$1,000,000 or any multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to such clause (iv) the amounts shall be rounded to multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) NOTIFICATION OF ACCEPTANCES BY ADMINISTRATIVE AGENT. The Administrative Agent shall promptly notify each bidding Lender by teletype whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) BIDS BY ADMINISTRATIVE AGENT. If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. SWINGLINE LOANS.

(a) AGREEMENT TO MAKE SWINGLINE LOANS. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$20,000,000 or (ii) total Revolving Exposure PLUS the aggregate principal amount of outstanding Competitive Loans exceeding the total Revolving Commitments; PROVIDED that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) INTEREST RATES. Swingline Loans shall be ABR Loans or FFBR Loans, as selected by the Borrower, except that the Swingline Lender and the Borrower may agree that the interest rate in respect of a Swingline Loan made by such Swingline Lender, for a period ending on the date that is not earlier than one day and not later than fifteen days after such Swingline Loan is made, be at an alternative rate of interest (and with such applicable margins and prepayment premiums) as may from time to time be offered by the Swingline Lender to the Borrower in its sole discretion; PROVIDED that upon any sale pursuant to Section

2.05(d) of participations in any Swingline Loan the interest on which is determined by reference to the Federal Funds Base Rate or any such alternative rate, such Swingline Loans shall automatically be converted into an ABR Loan.

(c) NOTICE OF SWINGLINE LOANS BY BORROWER. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount and type of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f), by remittance to the respective Issuing Lender) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(d) PARTICIPATIONS BY LENDERS IN SWINGLINE LOANS. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice to the Administrative Agent shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above in this paragraph, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

(e) REPLACEMENT OF SWINGLINE LENDER. The Borrower may at any time, and from time to time, request that the then-current Swingline Lender be replaced with another Lender hereunder designated by the Borrower and satisfactory to the Administrative Agent. Any such replacement shall be effected pursuant to a written instrument, in form and substance satisfactory to the Administrative Agent, under which such new Lender agrees to become the "Swingline Lender" hereunder, and the predecessor Swingline Lender is relieved of all of its obligations hereunder as the "Swingline Lender", PROVIDED that in no event shall any such replacement occur unless the principal of and interest on all of the Swingline Loans of the predecessor Swingline Lender shall have been paid in full.

SECTION 2.06. LETTERS OF CREDIT.

(a) GENERAL. Subject to the terms and conditions set forth herein, in addition to the Loans provided for in Section 2.01, the Borrower may request Chase, as an Issuing Lender, to issue, at any time and from time to time during the Revolving Availability Period, Letters of Credit for its own account in such form as is acceptable to such Issuing Lender in its reasonable determination. In addition, First Chicago, as an Issuing Lender, has issued the Qingdao Letter of Credit for the account of the Borrower. Letters of Credit issued hereunder shall constitute utilization of the Revolving Commitments.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the respective Issuing Lender) to the applicable Issuing Lender and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or

extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the respective Issuing Lender, the Borrower also shall submit a letter of credit application on such Issuing Lender's standard form in connection with any request for a Letter of Credit. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Lender relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Upon any modification or renewal or reissuance by First Chicago, as an Issuing Lender, of the Qingdao Letter of Credit, First Chicago shall forthwith notify the Administrative Agent and the Borrower of the new Qingdao Letter of Credit Limit for purposes of this Agreement.

(c) LIMITATIONS ON AMOUNTS. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate LC Exposure of Chase, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed \$20,000,000, (ii) the aggregate LC Exposure of First Chicago, as an Issuing Lender (determined for these purposes without giving effect to the participations therein of the Revolving Lenders pursuant to paragraph (e) of this Section), shall not exceed the Qingdao Letter of Credit Limit and (iii) the sum of the total Revolving Exposures PLUS the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Revolving Commitments.

(d) EXPIRATION DATE. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date twelve months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, twelve months after the then-current expiration date of such Letter of Credit, so long as such renewal or extension occurs within three months of such then-current expiration date) and (ii) the date that is five Business Days prior to the Maturity Date.

(e) PARTICIPATIONS. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) by either Issuing Lender, and without any further action on the part of such Issuing Lender or the Lenders, such Issuing Lender hereby grants to each Lender, and each Lender hereby acquires from such Issuing Lender, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the respective Issuing Lender, such Lender's Applicable Percentage of each LC Disbursement made by an Issuing Lender promptly upon the request of such Issuing Lender at any time from the time of such LC Disbursement until such LC Disbursement is reimbursed by the Borrower or at any time after any reimbursement payment is required to be refunded to the Borrower for any reason. Each such payment shall be made in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, MUTATIS MUTANDIS, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the respective Issuing Lender the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to the next following paragraph, the Administrative Agent shall distribute such payment to respective Issuing Lender or, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse such Issuing Lender, then to such Lenders and such Issuing Lender as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Lender for any LC Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) REIMBURSEMENT. If an Issuing Lender shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such Issuing Lender in respect of such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time, PROVIDED that, if such LC Disbursement is not less than \$100,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in

accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan.

If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof.

(g) OBLIGATIONS ABSOLUTE. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (f) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the respective Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit, and (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Neither the Administrative Agent, the Lenders nor either Issuing Lender, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit by the respective Issuing Lender or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the respective Issuing Lender; PROVIDED that the foregoing shall not be construed to excuse an Issuing Lender from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Lender's negligence or wilful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that:

(i) an Issuing Lender may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) an Issuing Lender shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by an Issuing Lender when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(h) DISBURSEMENT PROCEDURES. The Issuing Lender for any Letter of Credit shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under such Letter of Credit. Such Issuing Lender shall promptly after such examination notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Lender has made or will make an LC Disbursement thereunder; PROVIDED that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Lender and the Lenders with respect to any such LC Disbursement.

(i) INTERIM INTEREST. If the Issuing Lender for any Letter of Credit shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Syndicated Loans; PROVIDED that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (f) of this Section, then Section 2.13(e) shall apply. Interest accrued pursuant to this paragraph shall be for the account of such Issuing Lender, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (f) of this Section to reimburse such Issuing Lender shall be for the account of such Lender to the extent of such payment.

(j) REPLACEMENT OF AN ISSUING LENDER. Either Issuing Lender may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Lender. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Lender pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of the replaced Issuing Lender under this Agreement with respect to Letters of Credit to be issued by it thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to include such successor or any previous Issuing Lender, or such successor and all previous Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(k) CASH COLLATERALIZATION. If either (i) an Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing at least 66-2/3% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, or (ii) the Borrower shall be required to provide cover for LC Exposure pursuant to Section 2.11(d), the Borrower shall immediately deposit into the Collateral Account an amount in cash equal to, in the case of an Event of Default, the LC Exposure as of such date PLUS any accrued and unpaid interest thereon and, in the case of cover pursuant to Section 2.11(d), the amount required under Section 2.11(d); PROVIDED that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VIII. Such deposit shall be held by the Administrative Agent as collateral in the first instance for the LC Exposure under this Agreement and thereafter for the payment of the "Secured Obligations" under and as defined in the Security Agreement.

(l) QINGDAO LETTER OF CREDIT. Anything herein to the contrary notwithstanding, the amount of the Qingdao Letter of Credit for all purposes of this Agreement and the other Loan Documents (including, without limitation, the usage of the Revolving Commitments hereunder, the calculation of fees under Section 2.12 and the obligation of the Revolving Lenders to participate in Letters of Credit arising upon drawings thereunder) shall be deemed to be equal to the Qingdao Letter of Credit Limit and any LC Exposure arising in respect of the Qingdao Letter of Credit in excess of the Qingdao Letter of Credit Limit shall be solely for the account of First Chicago, as an Issuing Lender, and no other Lender shall be obligated to participate in such excess amount, nor shall such excess amount be entitled to the benefits of the Security Documents.

(m) EXISTING LETTERS OF CREDIT. Pursuant to Section 2.04 of the Existing Credit Agreement, Chase, as an "Issuing Bank" thereunder, has issued various "Revolving Letters of Credit" under and as defined in the Existing Credit Agreement and First Chicago, as an "Issuing Bank" thereunder, has issued the "Qingdao Letter of Credit" under and as defined in the Existing Credit Agreement. On the Effective Date, subject to the satisfaction of the conditions to effectiveness of the obligations of the Lenders hereunder set forth in Article V, each of such "Revolving Letters of Credit" and the "Qingdao Letter of Credit" under the Existing Credit Agreement shall automatically, and without any action on the part of any Person, become a Letter of Credit hereunder.

SECTION 2.07. FUNDING OF BORROWINGS.

(a) FUNDING BY LENDERS. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; PROVIDED that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly remitting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; PROVIDED that ABR Revolving Borrowings made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(f) shall be remitted by the Administrative Agent to the respective Issuing Lender.

(b) PRESUMPTION BY ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such

amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. INTEREST ELECTIONS.

(a) ELECTIONS BY BORROWER FOR SYNDICATED BORROWINGS. Each Syndicated Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Syndicated Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Syndicated Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) NOTICE OF ELECTIONS. To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Syndicated Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) INFORMATION IN ELECTION NOTICES. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies (including, if applicable, the respective Series of Tranche II Term Loans to which such Interest Election Request relates) and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) NOTICE BY ADMINISTRATIVE AGENT TO LENDERS. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) PRESUMPTION IF NO NOTICE. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Syndicated Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Syndicated Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Syndicated Borrowing may be converted to or continued as a Eurodollar Syndicated Borrowing and (ii) unless repaid, each Eurodollar Syndicated Borrowing shall be converted to an ABR Syndicated Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. TERMINATION AND REDUCTION OF THE COMMITMENTS.

(a) SCHEDULED TERMINATION. Unless previously terminated, (i) the Tranche I Term Loan Commitments shall terminate on the close of business on the Effective Date, (ii) the Tranche II Term Loan Commitments of each Series shall terminate on the Tranche II Term Loan Commitment Termination Date and (iii) the Revolving Commitments shall terminate on the Maturity Date.

(b) VOLUNTARY TERMINATION OR REDUCTION. The Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class (including the Commitments of any Series of Tranche II Term Loans); PROVIDED that (i) each reduction of the Commitments of any Class pursuant to this Section shall be in an amount that is \$3,000,000 or a larger multiple of \$100,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments of any Class if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the total Revolving Exposures of such Class PLUS the aggregate principal amount of outstanding Competitive Loans of such Class would exceed the total Revolving Commitments of such Class.

(c) NOTICE OF TERMINATION OR REDUCTION. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments of any Class under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; PROVIDED that a notice of termination of the Revolving Commitments of any Class delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) EFFECT OF TERMINATION OR REDUCTION. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) REPAYMENT. The Borrower hereby unconditionally promises to pay the Loans outstanding hereunder as follows:

(i) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Revolving Loan of such Lender on the Maturity Date,

(ii) to the Administrative Agent for the account of each Lender the outstanding principal amount of each Tranche I Term Loan of such Lender on each Tranche I Principal Payment Date set forth below in an amount equal to the principal amount set forth opposite such Tranche I Principal Payment Date:

PRINCIPAL PAYMENT DATE	PRINCIPAL AMOUNT
March 1, 1998	\$6,000,000
June 1, 1998	\$6,000,000
September 1, 1998	\$6,000,000
December 1, 1998	\$6,000,000
March 1, 1999	\$6,000,000
June 1, 1999	\$6,000,000
September 1, 1999	\$6,000,000
December 1, 1999	\$6,000,000
March 1, 2000	\$6,000,000
June 1, 2000	\$6,000,000
September 1, 2000	\$6,000,000
December 1, 2000	\$6,000,000
March 1, 2001	\$6,000,000
June 1, 2001	\$6,000,000
September 1, 2001	\$6,000,000
December 1, 2001	\$6,000,000
March 1, 2002	\$6,000,000
June 1, 2002	\$6,000,000
September 1, 2002	\$6,000,000
December 1, 2002	\$6,000,000
March 1, 2003	\$10,000,000
June 1, 2003	\$10,000,000

(iii) to the Administrative Agent for the account of each Tranche II Term Loan Lender of any Series the outstanding principal amount of each Tranche II Term Loan of such Lender of such Series on the respective Tranche II Term Loan Principal Payments Dates for the Tranche II Term Loans of such Series,

(iv) to the Administrative Agent for the account of the respective Lender the then unpaid principal amount of each Competitive Loan of such Lender on the last day of the Interest Period applicable to such Loan, and

(v) to the Swingline Lender the then unpaid principal amount of each

Swingline Loan on the earliest of (A) the Maturity Date, (B) the fifteenth day after such Loan is made (but not earlier than one Business Day after such Swingline Loan is made) and (C) in the case of any Swingline FFBR Loan, the last day of the Interest Period for such Loan; PROVIDED that (i) if any such day is not a Business Day, then the Borrower shall pay such Swingline Loan on the next preceding Business Day and (ii) on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline ABR Loans then outstanding.

(b) MANNER OF PAYMENT. Prior to any repayment or prepayment of any Borrowings of any Class hereunder, the Borrower shall select the Borrowing or Borrowings of such Class to be paid and shall notify the Administrative Agent by telephone (confirmed by teletype) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such payment; PROVIDED that each payment of Borrowings of any Class shall be applied to pay any outstanding ABR Borrowings of such Class before any other Borrowings of such Class. If the Borrower fails to make a timely selection of the Borrowing or Borrowings to be repaid or prepaid, such payment shall be applied, first, to pay any outstanding ABR Borrowings of the applicable Class and, second, to other Borrowings of such Class in the order of the remaining duration of their respective Interest Periods (the Borrowing with the shortest remaining Interest Period to be paid first), and for these purposes, Competitive Bid Loans shall be deemed to be in the same Class as Tranche I Revolving Loans. Each payment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(c) MAINTENANCE OF LOAN ACCOUNTS BY LENDERS. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

Anything herein to the contrary notwithstanding, the Tranche I Term Loans made by each Lender shall be divided into two portions which shall be accounted for separately on the books of such Lender. The first of such portions (the "MORTGAGE PORTION") shall be in a principal amount equal to 2/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (including, without limitation, the Mortgages covering real property of the Obligors in New York) and the second of such portions (the "NON-MORTGAGE PORTION") shall be in a principal amount equal to 138/140 of the amount of such Lender's Tranche I Term Loan Commitment and shall be secured by all of the collateral security provided for pursuant to the Security Documents (excluding, however, the Mortgages covering real property of the Obligors in New York). Anything in this Agreement to the contrary notwithstanding, all payments and prepayments of the Tranche I Term Loans hereunder shall be deemed to be applied first to Non-Mortgage Portion (until the same shall have been paid in full) and last to the Mortgage Portion.

(d) MAINTENANCE OF LOAN ACCOUNTS BY ADMINISTRATIVE AGENT. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof (including, in the case of Incremental Facility Loans, the respective Series thereof) and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The Administrative Agent shall account for the Mortgage Portions and Non-Mortgage Portions of the Tranche I Term Loans, as described in paragraph (c) above.

(e) EFFECT OF LOAN ACCOUNTS. The entries made in the accounts maintained pursuant to paragraph (c) or (d) of this Section shall be PRIMA FACIE evidence of the existence and amounts of the obligations recorded therein; PROVIDED that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(f) PROMISSORY NOTES. Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. PREPAYMENT OF LOANS.

(a) OPTIONAL PREPAYMENTS. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section, PROVIDED that (i) the aggregate principal amount of any prepayment on any date pursuant to this paragraph shall be at least equal to \$5,000,000 and (ii) the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof. Any prepayment

of a Term Loan Borrowing of any Class pursuant to this paragraph shall be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order.

(b) MANDATORY PREPAYMENTS -- REVOLVING LOANS. The Borrower will from time to time prior to the Maturity Date prepay the Revolving Loans in such amounts as shall be necessary so that, for a period of at least 30 consecutive days at any time during the two fiscal quarters of the Borrower ending on May 31 and August 31 of each fiscal year, the total Revolving Exposures shall not exceed \$60,000,000.

(c) MANDATORY PREPAYMENTS -- ALL LOANS. The Borrower will make prepayments of the Loans hereunder as follows:

(i) CASUALTY EVENTS. Upon the date 180 days following the receipt by the Borrower of the proceeds of insurance, condemnation award or other compensation in respect of any Casualty Event affecting any Property of the Borrower or any of its Subsidiaries (or upon such earlier date as the Borrower or such Subsidiary, as the case may be, shall have determined not to repair or replace the Property affected by such Casualty Event), the Borrower shall prepay the Loans in an aggregate amount, if any, equal to 100% of the Net Available Proceeds of such Casualty Event not theretofore applied to the repair or replacement of such Property, such prepayment to be effected in the manner and to the extent specified in clause (vi) below. Notwithstanding the foregoing, in the event that a Casualty Event shall occur with respect to Property covered by any Mortgage, the Borrower shall, if required by the terms of such Mortgage, prepay the Loans on the dates, and in the amounts, of the required prepayments specified in accordance with such Mortgage. Nothing in this paragraph shall be deemed to limit any obligation of the Borrower or any of its Subsidiaries pursuant to any of the Security Documents to remit to a collateral or similar account maintained by the Administrative Agent pursuant to any of the Security Documents the proceeds of insurance, condemnation award or other compensation received in respect of any Casualty Event.

(ii) EQUITY ISSUANCE. On or prior to the date 90 days after any Equity Issuance, the Borrower shall prepay the Loans in an aggregate amount equal to 50% of the Net Available Proceeds thereof, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (ii) (x) from the first \$1,500,000 Net Available Proceeds during any fiscal year received from the issuance or sale of capital stock in connection with the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan or the Incentive Stock Option Plan or (y) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Equity Issuance that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Equity Issuance (it being understood that, in the event Net Available Proceeds from more than one Equity Issuance are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Equity Issuances occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(iii) EXCESS CASH FLOW. Not later than the date 90 days after the end of each fiscal year of the Borrower ending on or after February 28, 1999 (unless the Debt Ratio is less than or equal to 3.00 to 1 as of the last day thereof), the Borrower shall prepay the Loans in an aggregate amount equal to (A) 50% of Excess Cash Flow for such fiscal year MINUS (B) the aggregate amount of prepayments of Term Loans made during such fiscal year pursuant to Section 2.11(a) and, after the payment in full of the Term Loans, the aggregate amount of voluntary reductions of the Revolving Commitments made during such fiscal year pursuant to Section 2.09(b), such prepayment to be effected in the manner and to the extent specified in clause (vi) of this Section.

(iv) SALE OF ASSETS. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Disposition not otherwise permitted hereunder, in the event that the Net Available Proceeds of any Disposition (herein, the "CURRENT DISPOSITION"), and of all prior Dispositions as to which a prepayment has not yet been made under this paragraph, shall exceed \$15,000,000 then, no later than 180 days after the occurrence of the Current Disposition, the Borrower will deliver to the Lenders a statement, certified by a Financial Officer of the Borrower, in form and detail satisfactory to the Administrative Agent, of the amount of the Net Available Proceeds of the Current Disposition and of all such prior Dispositions and will prepay the Loans in an aggregate amount equal to 100% of the Net Available Proceeds of the Current Disposition and such prior Dispositions, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (iv) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Disposition that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d), or otherwise to reinvest the proceeds thereof into the business of the Borrower and its Subsidiaries,

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions or to make such reinvestment as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) or reinvestment within 180 days of such Disposition (it being understood that, in the event Net Available Proceeds from more than one Disposition are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Dispositions occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 180 days shall be forthwith applied to the prepayment of Loans as provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions or make such reinvestment, or does not in fact apply such Net Available Proceeds to one or more Acquisitions or reinvestments within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

Notwithstanding the foregoing, to the extent that the amount of the required prepayment on any date is not greater than \$10,000,000, the Borrower shall not be required to make any prepayment of a Eurodollar or Competitive Borrowing until the expiration(s) of the then-current Interest Periods.

(v) DEBT INCURRENCE. Without limiting the obligation of the Borrower to obtain the consent of the Required Lenders to any Debt Incurrence not permitted hereunder, on or prior to the date 90 days after the date of any Debt Incurrence, the Borrower shall prepay the Loans in an aggregate amount equal to the portion of the Net Available Proceeds thereof that exceeds (in the aggregate for all Debt Incurrences after the date hereof) \$50,000,000, such prepayment to be effected in the manner and to the extent specified in clause (vi) below, PROVIDED that, notwithstanding the foregoing, the Borrower shall not be required to make a prepayment under this clause (v) to the extent that

(A) the Borrower advises the Administrative Agent at the time of the relevant Debt Incurrence that it intends to use such Net Available Proceeds to finance one or more Acquisitions pursuant to Section 7.03(d),

(B) such Net Available Proceeds are held by the Borrower in a segregated investment or other account (or, alternatively, applied to the prepayment of Revolving Loans), until so used to finance one or more Acquisitions as contemplated above, and

(C) such Net Available Proceeds are in fact so applied to such Acquisition(s) within 90 days of such Debt Incurrence (it being understood that, in the event Net Available Proceeds from more than one Debt Incurrence are held by the Borrower, or have been applied to the prepayment of Revolving Loans, such Net Available Proceeds shall be deemed to be utilized in the same order in which such Debt Incurrence occurred and, accordingly, any such Net Available Proceeds so held or applied to the prepayment of Revolving Loans for more than 90 days shall be forthwith applied to the prepayment of Loans as

provided above),

it being understood that, if the Borrower does not so advise the Administrative Agent that it intends to use such Net Available Proceeds to finance one or more Acquisitions, or does not in fact apply such Net Available Proceeds to one or more Acquisitions within the time periods specified above, the Borrower shall immediately prepay the Loans in an amount equal to the amount specified above.

(vi) APPLICATION. Prepayments described in this Section 2.11(c) shall be applied as follows:

FIRST, the amount of any such prepayment shall be applied to the Term Loans allocated ratably among the Classes of Term Loans in accordance with the respective outstanding principal amounts thereof, each such prepayment of the Term Loans of any Class to be applied to reduce the scheduled repayments of the Term Loan Borrowings of such Class in reverse chronological order, and

SECOND, after the payment in full of the Term Loans, to prepay Revolving Loans (without reduction of Revolving Commitments), allocated ratably between Classes of Revolving Loans (and, to the extent that there are at the time any unused Tranche II Term Loan Commitments of any Series, such Commitments shall be concurrently reduced in an amount equal to such prepayment of Revolving Loans).

(d) MANDATORY PREPAYMENTS -- CHANGE OF CONTROL. In the event that the Borrower shall be required pursuant to the provisions of any instrument evidencing or governing any Subordinated Indebtedness to redeem, or make an offer to redeem or repurchase, all or any portion of such Subordinated Indebtedness as a result of a change of control (however defined), then, concurrently with the occurrence of the event giving rise to such change of control, the Borrower shall prepay the Loans (and/or provide cover for LC Exposure as specified in Section 2.06(k)) in full, and the Commitments shall be automatically reduced to zero.

(e) NOTICES, ETC. The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Syndicated Borrowing or a Competitive Bid Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Syndicated Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; PROVIDED that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Syndicated Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an aggregate principal amount at least equal to \$5,000,000, except as necessary to apply fully the required amount of a mandatory prepayments. Each prepayment of a Syndicated Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. FEES.

(a) FACILITY FEES. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a facility fee, which shall accrue at the Applicable Rate on the greater of (i) the daily average amount of the Revolving Commitment of each Class of such Lender (whether used or unused) and (ii) such Lender's aggregate Revolving Exposure of such Class, such fee to accrue during the period from and including the date hereof to but excluding the date such Revolving Commitment shall have terminated and the date the Revolving Exposure shall have been reduced to zero.

Accrued facility fees shall be payable on each Quarterly Date and on the date the relevant Commitments have terminated and the relevant Revolving Exposure reduced to zero, commencing on the first such date to occur after the date hereof; PROVIDED that any facility fees accruing after the date on which interest on Loans of the respective Class shall be payable on demand shall similarly be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) LETTER OF CREDIT FEES. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Rate applicable to interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC

Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's respective Revolving Commitments terminate and the date on which such Lender ceases to have any LC Exposure, and (ii) to Chase, as an Issuing Lender, a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements and to the Qingdao Letter of Credit) during the period from and including the Effective Date to but excluding the date on which there ceases to be any LC Exposure, and to each Issuing Lender, such Issuing Lender's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such date to occur after the Effective Date; PROVIDED that all such fees shall be payable on the date on which the respective Revolving Commitments terminate and any such fees accruing after the date on which the respective Revolving Commitments terminate shall be payable on demand. Any other fees payable to either Issuing Lender pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) ADMINISTRATIVE AGENT FEES. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) PAYMENT OF FEES. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the respective Issuing Lender, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. INTEREST.

(a) ABR BORROWINGS. The Loans comprising each ABR Borrowing (other than in respect of Swingline Loans, as to which paragraph (d) below shall apply) shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate.

(b) EURODOLLAR BORROWINGS. The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurodollar Syndicated Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing PLUS the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing PLUS (or MINUS, as applicable) the Margin applicable to such Loan.

(c) FIXED RATE BORROWINGS. Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) SWINGLINE BORROWINGS. Each ABR Borrowing constituting a Swingline Loan shall bear interest at a rate per annum equal to the Alternate Base Rate PLUS the Applicable Rate. Each Swingline Borrowing the interest on which is determined by reference to the Federal Funds Base Rate for any Interest Period therefor shall bear interest at a rate per annum, for each day during such Interest Period, equal to the Federal Funds Base Rate for such period PLUS the then-applicable "Facility Fee Rate" specified in the definition of "Applicable Rate" in Section 1.01 PLUS the Applicable Rate PLUS .50%. Each Swingline Borrowing the interest on which is determined at an alternate rate of interest as contemplated in Section 2.05(b), shall bear interest at the respective alternate rate of interest so agreed for the period so contemplated by Section 2.05(b).

(e) DEFAULT INTEREST. Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration, by mandatory prepayment or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% PLUS the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% PLUS the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(f) PAYMENT OF INTEREST. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans of any Class, upon termination of the Revolving Commitments of such Class; PROVIDED that (i) interest accrued pursuant to paragraph (e) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the Maturity Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Syndicated Borrowing prior to the end of the current Interest Period therefor, accrued interest on such Borrowing shall be payable on the effective date of such conversion.

(g) COMPUTATION. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) if such Borrowing is of a particular Class of Loans (including of a particular Series of Tranche II Term Loans), the Administrative Agent is advised by the Required Lenders of such Class (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Syndicated Borrowing to, or continuation of any Syndicated Borrowing as, a Eurodollar Syndicated Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Syndicated Borrowing, such Borrowing shall be made as an ABR Syndicated Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; PROVIDED that if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby.

SECTION 2.15. INCREASED COSTS.

(a) INCREASED COSTS GENERALLY. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or either Issuing Lender; or

(ii) impose on any Lender or either Issuing Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lenders of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Lender of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) CAPITAL REQUIREMENTS. If any Lender or either Issuing Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Lender's capital or on the capital of such Lender's or such Issuing Lender's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Lender's policies and the policies of such Lender's or such Issuing Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company for any such reduction suffered.

(c) CERTIFICATES FROM LENDERS. A certificate of a Lender or either Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or such Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and

shall be conclusive absent manifest error. The Borrower shall pay such Lender or such Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) DELAY IN REQUESTS. Failure or delay on the part of any Lender or either Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Lender's right to demand such compensation; PROVIDED that the Borrower shall not be required to compensate a Lender or an Issuing Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender or such Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

(e) COMPETITIVE BID LOANS. Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan, Fixed Rate Loan or Swingline FFBR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Syndicated Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(e) and is revoked in accordance herewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event.

In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, OVER (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period.

In the case of a Swingline FFBR Loan, the loss to the Swingline Lender attributable to any such event shall be deemed to include an amount determined by the Swingline Lender to be equal to the excess, if any, of (i) the Federal Funds Base Rate for the period commencing on the date of such payment to but not including the last day of the Interest Period for such Swingline FFBR Loan, OVER (ii) the Federal Funds Base Rate for such Interest Period.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. TAXES.

(a) PAYMENTS FREE OF TAXES. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; PROVIDED that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) PAYMENT OF OTHER TAXES BY BORROWER. In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or such Issuing Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Lender, shall be conclusive absent manifest error.

(d) RECEIPT FOR PAYMENTS. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) FOREIGN LENDERS. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS, ETC.

(a) PAYMENTS BY OBLIGORS. Each Obligor shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or under Section 2.15, 2.16 or 2.17, or otherwise) or under any other Loan Document (except to the extent otherwise provided therein) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except as otherwise expressly provided in the relevant Loan Document, and except payments to be made directly to an Issuing Lender or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Loan Document (except to the extent otherwise provided therein) shall be made in dollars.

(b) APPLICATION IF PAYMENTS INSUFFICIENT. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) PRO RATA TREATMENT. Except to the extent otherwise provided herein: (i) each Syndicated Borrowing of a particular Class shall be made from the relevant Lenders, each payment of facility fee under Section 2.12 shall be made for account of the relevant Lenders, and each termination or reduction of the amount of the Commitments of a particular Class under Section 2.09 shall be applied to the respective Commitments of such Class of the relevant Lenders, pro rata according to the amounts of their respective Commitments of such Class; (ii) Syndicated Borrowings of any Class shall be allocated pro rata among the relevant Lenders according to the amounts of their respective Commitments of such Class (in the case of the making of Syndicated Loans) or their respective Loans of such Class; (iii) Syndicated Eurodollar Loans of any Class having the same Interest Period shall be allocated pro rata among the relevant Lenders according to the amounts of their Commitments or such Class (in the case of the making of Loans) or their respective Loans of such Class (in the case of conversions and continuations of Loans); (iv) each payment or prepayment of principal of Revolving Loans or Term Loans of a particular Class by the Borrower shall be made for account of the relevant Lenders pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans of such Class held by them; and (v) each payment of interest on Loans of any Class by the

Borrower shall be made for account of the relevant Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

(d) SHARING OF PAYMENTS BY LENDERS. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Syndicated Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Syndicated Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon then due than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Syndicated Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Syndicated Loans and participations in LC Disbursements and Swingline Loans; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Obligor pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Obligor consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Obligor rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Obligor in the amount of such participation.

(e) PRESUMPTIONS OF PAYMENT. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Lender, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or such Issuing Lender, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) CERTAIN DEDUCTIONS BY ADMINISTRATIVE AGENT. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(e) or (f), 2.07(b) or 2.18(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(g) EXERCISES OF REMEDIES BY LENDERS. Anything in this Agreement to the contrary notwithstanding (including Section 10.08), each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement (including, without limitation, exercising any rights of off-set) without first obtaining the prior written consent of the Administrative Agent or the Required Lenders, it being the intent of the Lenders that any such action to protect or enforce rights under this Agreement shall be taken in concert and at the direction or with the consent of the Administrative Agent or the Required Lenders and not individually by a single Lender.

SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) DESIGNATION OF DIFFERENT LENDING OFFICE. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) REPLACEMENT OF LENDERS. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any

Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, each Issuing Lender and the Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

GUARANTEE

SECTION 3.01 GUARANTEE. The Subsidiary Guarantors hereby jointly and severally guarantee to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to the Borrower, all indebtedness of the Borrower to any of the Lenders (or any affiliate thereof) in respect of Hedging Agreements, and all other amounts from time to time owing to the Lenders or the Administrative Agent by the Borrower under this Agreement and by any Obligor under any of the other Loan Documents, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the "GUARANTEED OBLIGATIONS"). The Subsidiary Guarantors hereby further jointly and severally agree that if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Subsidiary Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02 OBLIGATIONS UNCONDITIONAL. The obligations of the Subsidiary Guarantors under Section 3.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrower under this Agreement or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. In full recognition and in furtherance of the foregoing, each Subsidiary Guarantor agrees that:

(a) Without affecting the enforceability or effectiveness of Section 3.01 in accordance with its terms and without affecting, limiting, reducing, discharging or terminating the liability of such Subsidiary Guarantor, or the rights, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, the Administrative Agent and the Lenders may, at any time and from time to time and without notice or demand of any kind or nature whatsoever:

(i) amend, supplement, modify, extend, renew, waive, accelerate or otherwise change the time for payment or performance of, or the terms of, all or any part of the Guaranteed Obligations (including any increase or decrease in the rate or rates of interest on all or any part of the Guaranteed Obligations);

(ii) amend, supplement, modify, extend, renew, waive or otherwise change, or enter into or give, any Loan Document or any agreement, security document, guarantee, approval, consent or other instrument with respect to all or any part of the Guaranteed Obligations, any Loan Document or any such other instrument or any term or provision of the foregoing (it being understood that this clause (ii) shall not be

deemed to constitute a consent by any Subsidiary Guarantor to any such amendment with respect to any Loan Document to which it is a party);

(iii) accept or enter into new or additional agreements, security documents, guarantees (including letters of credit) or other instruments in addition to, in exchange for or relative to any Loan Document, all or any part of the Guaranteed Obligations or any collateral now or in the future serving as security for the Guaranteed Obligations;

(iv) accept or receive (including from any other Subsidiary Guarantor) partial payments or performance on the Guaranteed Obligations (whether as a result of the exercise of any right, remedy, power or privilege or otherwise);

(v) accept, receive and hold any additional collateral for all or any part of the Guaranteed Obligations (including from any other Guarantor);

(vi) release, reconvey, terminate, waive, abandon, allow to lapse or expire, fail to perfect, subordinate, exchange, substitute, transfer, foreclose upon or enforce any collateral, security documents or guarantees (including Letters of Credit or the obligations of any other Subsidiary Guarantor) for or relative to all or any part of the Guaranteed Obligations;

(vii) apply any collateral or the proceeds of any collateral or guarantee (including any Letter of Credit or the obligations of any other Subsidiary Guarantor) to all or any part of the Guaranteed Obligations in such manner and extent as the Administrative Agent or any Lender may in its discretion determine;

(viii) release any Person (including any other Subsidiary Guarantor) from any personal liability with respect to all or any part of the Guaranteed Obligations;

(ix) settle, compromise, release, liquidate or enforce upon such terms and in such manner as the Administrative Agent or the Lenders may determine or as applicable law may dictate all or any part of the Guaranteed Obligations or any collateral on or guarantee (including any Letter of Credit issued with respect to) of all or any part of the Guaranteed Obligations;

(x) consent to the merger or consolidation of, the sale of substantial assets by, or other restructuring or termination of the corporate existence of the Borrower or any other Person (including any other Subsidiary Guarantor);

(xi) proceed against the Borrower, such or any other Subsidiary Guarantor or any other guarantor of (including any issuer of any letter of credit issued with respect to) all or any part of the Guaranteed Obligations or any collateral provided by any Person and exercise the right, remedies, powers and privileges of the Administrative Agent and the Lenders under this Agreement or any other agreement or instrument referred to herein or therein, or otherwise in such order and such manner as the Administrative Agent or any Lender may, in its discretion, determine, without any necessity to proceed upon or against or exhaust any collateral, right, remedy, power or privilege before proceeding to call upon or otherwise enforce Section 3.01 as to any Subsidiary Guarantor;

(xii) foreclose upon any deed of trust, mortgage or other instrument creating or granting liens on any interest in real property by judicial or nonjudicial sale or by deed in lieu of foreclosure, bid any amount or make no bid in any foreclosure sale or make any other election of remedies with respect to such liens or exercise any right of set-off;

(xiii) obtain the appointment of a receiver with respect to any collateral for all or any part of the Guaranteed Obligations and apply the proceeds of such receivership as the Administrative Agent or any Lender may in its discretion determine (it being agreed that nothing in this clause (xiii) shall be deemed to make the Administrative Agent or any Lender a party in possession in contemplation of law, except at its option);

(xiv) enter into such other transactions or business dealings with any other Subsidiary Guarantor, the Borrower, any Subsidiary or Affiliate of the Borrower or any other guarantor of all or any part of the Guaranteed Obligations as the Administrative Agent or any Lender may desire; and

(xv) do all or any combination of the actions set forth in this Section.

(b) The enforceability and effectiveness of this Article and the liability of the Subsidiary Guarantors, and the rights remedies, powers and privileges of the Administrative Agent and the Lenders, under this Agreement or any other agreement or instrument referred to herein or therein, shall not be affected, limited, reduced, discharged or terminated, and each Subsidiary Guarantor hereby expressly waives any defense now or in the future arising, by reason of:

(i) the illegality, invalidity, irregularity, authenticity, or unenforceability of all or any part of the Guaranteed Obligations, this Agreement or any other agreement or instrument referred to herein or therein, or any agreement, security document, guarantee or other instrument relative to all or any part of the Guaranteed Obligations;

(ii) any disability or other defense of the Borrower or any other Subsidiary Guarantor with respect to all or any part of the Guaranteed Obligations or any other guarantor of all or any part of the Guaranteed Obligations (including any issuer of any letters of credit), including the effect of any statute of limitations that may bar the enforcement of all or any part of the Guaranteed Obligations or the obligations of any such other guarantor;

(iii) the illegality, invalidity, irregularity, authenticity or unenforceability of any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations or the lack of perfection or continuing perfection or failure of the priority of any lien on any collateral for all or any part of the Guaranteed Obligations;

(iv) the cessation, for any cause whatsoever, of the liability of the Borrower or any other Subsidiary Guarantor (other than subject to Section 3.05, by reason of the full payment and performance of all Guaranteed Obligations);

(v) any failure of the Administrative Agent or any Lender to marshal assets in favor of the Borrower or any other Person (including any other Subsidiary Guarantor), to exhaust any collateral for all or any part of the Guaranteed Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any other Subsidiary Guarantor, the Borrower, any other guarantor, all or any part of the Guaranteed Obligations (including either Issuing Lender in respect of Letters of Credit) or any other Person or to take any action whatsoever to mitigate or reduce such or any other Subsidiary Guarantor's liability under this Article, neither the Administrative Agent nor any Lender being under any obligation to take any such action notwithstanding the fact that all or any part of the Guaranteed Obligations may be due and payable and that the Borrower may be in default of its obligations under this Agreement or any other agreement or instrument referred to herein or therein;

(vi) any failure of the Administrative Agent or any Lender to give notice after any Default of sale or other disposition of any collateral (including any notice of any judicial or nonjudicial foreclosure or sale of any interest in real property serving as collateral for all or any part of the Guaranteed Obligations) for all or any part of the Guaranteed Obligations to the Borrower, any Subsidiary Guarantor or any other Person or any defect in, or any failure by any Subsidiary Guarantor or any other Person to receive, any notice that may be given in connection with any sale or disposition of any collateral;

(vii) any failure of the Administrative Agent or any Lender to comply with applicable laws in connection with the sale or other disposition of any collateral for all or any part of the Guaranteed Obligations, including any failure to conduct a commercially reasonable sale or other disposition of any collateral for all or any part of the Guaranteed Obligations;

(viii) any judicial or nonjudicial foreclosure or sale of, or other election of remedies with respect to, any interest in real property or other collateral serving as security for all or any part of the Guaranteed Obligations, even though such foreclosure, sale or election of remedies may impair the subrogation rights of any Subsidiary Guarantor or may preclude any Subsidiary Guarantor from obtaining reimbursement, contribution, indemnification or other recovery from any other Subsidiary Guarantor, the Borrower any other guarantor or any other Person and even though the Borrower may not, as a result of such foreclosure, sale or election of remedies, be liable for any deficiency;

(ix) any benefits the Borrower, any Subsidiary Guarantor or any other guarantor may otherwise derive from Sections 580(a), 580(b), 580(d) or 726 of the California Code of Civil Procedure or any comparable provisions of the laws of any other jurisdiction;

(x) any act or omission of the Administrative Agent, any Lender or any other person that directly or indirectly results in or aids the discharge or release of the Borrower or any other Subsidiary Guarantor, of all or any part of the Guaranteed Obligations or any security or guarantee (including any letter of credit) for all or any part of the Guaranteed Obligations by operation of law or otherwise;

(xi) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's principal obligation;

(xii) the possibility that the obligations of the Borrower to the Administrative Agent and the Lenders may at any time and from time to time exceed the aggregate liability of the Subsidiary Guarantors under this Article;

(xiii) any counterclaim, set-off or other claim which the Borrower or any other Subsidiary Guarantor has or alleges to have with respect to all or any part of the Guaranteed Obligations;

(xiv) any failure of the Administrative Agent or any Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person;

(xv) the election by the Administrative Agent or any Lender, in a bankruptcy proceeding of any Person, of the application or nonapplication of Section 1111(b)(2) of the United States Bankruptcy Code;

(xvi) any extension of credit or the grant of any lien under Section 364 of the United States Bankruptcy Code;

(xvii) any use of cash collateral under Section 363 of the United States Bankruptcy Code;

(xviii) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person;

(xix) the avoidance of any lien in favor of the Administrative Agent or any Lender for any reason;

(xx) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any part of the Guaranteed Obligations (or any interest on all or any part of the Guaranteed Obligations) in or as a result of any such proceeding;

(xxi) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, including by reason of Sections 2809, 2810, 2819, 2839, 2845, 2850, 2899, 3275 and 3433 of the California Civil Code, and any future judicial decisions or legislation or of any comparable provisions of the laws of any other jurisdiction; or

(xxiii) diligence, presentment, demand of payment, protest and all notices whatsoever.

(c) Each Subsidiary Guarantor represents and warrants to the Administrative Agent that it has established adequate means of obtaining financial and other information pertaining to the business, operations and condition (financial and otherwise) of the Borrower and its properties on a continuing basis and that such Subsidiary Guarantor is now and will in the future remain fully familiar with the business, operations and condition (financial and otherwise) of the Borrower and its properties. Each Subsidiary Guarantor further represents and warrants that it has reviewed and approved this Agreement and the related Loan Documents and is fully familiar with the transactions contemplated by such Loan Documents and that it will in the future remain fully familiar with such transaction and with any new Loan Documents and the transaction contemplated by such Loan Documents. Each Subsidiary Guarantor hereby expressly waives and relinquishes any duty on the part of the Administrative Agent or the Lenders (should any such duty exist) to disclose to such or any other Subsidiary Guarantor any matter of fact or other information related to the business, operations or condition (financial or otherwise) of the Borrower or its properties or to any Loan Documents or the transactions undertaken pursuant to, or contemplated by, such Loan Documents, whether now or in the future known by the Administrative Agent or any Lender.

SECTION 3.03 REINSTATEMENT. The obligations of the Subsidiary Guarantors under this Article shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder

of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Subsidiary Guarantors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04 SUBROGATION. Each Subsidiary Guarantor hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of any payment by it pursuant to the provisions of this Article and further agrees with the Borrower for the benefit of each of its creditors (including, without limitation, each Lender and the Administrative Agent) that any such payment by it shall, to the fullest extent permitted by law, constitute a dividend on the common stock of such Subsidiary Guarantor owned by the Borrower or a return of capital paid by such Subsidiary Guarantor to the Borrower and, otherwise, an investment in the equity capital of the Borrower by such Subsidiary Guarantor. Each Subsidiary Guarantor understands that, by reason of the foregoing provisions of this Section, the exercise by the Administrative Agent or any Lender of the rights, remedies, powers and privileges that it has under this Article and under the other Loan Documents will result in nonreimbursable liabilities under this Agreement. Nevertheless, each Subsidiary Guarantor hereby authorizes and empowers the Administrative Agent and the Lenders to exercise, in its or their sole discretion, any combination of such rights, remedies, powers and privileges as they, in their sole discretion, shall deem appropriate.

SECTION 3.05 REMEDIES. The Subsidiary Guarantors jointly and severally agree that, as between the Subsidiary Guarantors and the Lenders, the obligations of the Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article VIII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VIII) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of Section 3.01.

SECTION 3.06 CONTINUING GUARANTEE. The guarantee in this Article is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.07 LIMITATION ON GUARANTEE OBLIGATIONS. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Subsidiary Guarantor under Section 3.01 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Subsidiary Guarantor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within each Obligor's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by each Obligor and constitutes, and each of the other Loan Documents to which it is a party when executed and delivered by such Obligor will constitute, a legal, valid and binding obligation of such Obligor, enforceable against each Obligor in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting

the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) such as have been obtained or made and are in full force and effect and (ii) filings and recordings in respect of the Liens created pursuant to the Security Documents, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) except for the Liens created pursuant to the Security Documents, will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders' equity and cash flows (i) as of and for the fiscal year ended February 28, 1997, reported on by Arthur Andersen LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended August 31, 1997, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) of the first sentence of this paragraph.

(b) Since February 28, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole.

SECTION 4.05. PROPERTIES.

(a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal Properties material to its business, subject only to Liens permitted by Section 7.02 and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such Properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.06. LITIGATION.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 4.07. ENVIRONMENTAL MATTERS. Each of the Borrower and its Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except as set forth in Schedule III hereto and except to the extent failure to have any such permit, license or authorization would not (either individually or in the aggregate) have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each of the Borrower and its Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except as set forth in Schedule III hereto and except to the extent failure to comply therewith would not (either individually or in the aggregate) have a Material Adverse Effect.

In addition, except as set forth in Schedule III:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any Release of any Hazardous Materials generated by the Borrower or any of its Subsidiaries, in each case in circumstances which may reasonably be expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any of its Subsidiaries owns, operates or leases a treatment, storage or disposal facility requiring a permit under the Resource Conservation and Recovery Act of 1976, as amended, or under any comparable state or local statute; and

(i) no polychlorinated biphenyls (PCB's) are or have been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(ii) no asbestos or asbestos-containing materials is or has been present at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iii) there are no underground storage tanks or surface impoundments for Hazardous Materials, active or abandoned, at any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

(iv) no Hazardous Materials have been Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries in a reportable quantity established by statute, ordinance, rule, regulation or order; and

(v) no Hazardous Materials have been otherwise Released at, on or under any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries;

that, in the case of any of clauses (i) through (v) above, may reasonably be expected to have a Material Adverse Effect.

(c) Neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location that is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. Section 300.5 ("CERCLIS"), or on any similar state or local list or that is the subject of Federal, state or local enforcement actions or other investigations that may lead to Environmental Claims in a material amount against the Borrower or any of its Subsidiaries.

(d) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Borrower or any of its Subsidiaries and no site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries is listed or proposed for listing on the NPL, CERCLIS or any similar state list of sites requiring investigation or clean-up.

(e) No Liens have arisen under or pursuant to any Environmental Laws on any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries, and no government action has been taken or is in process that could subject any such site or facility to such Liens and neither the Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any site or facility owned by it in any deed to the real Property on which such site or facility is located.

(f) All environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the Borrower or any of its Subsidiaries in relation to facts, circumstances or conditions at or affecting any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries and that could result in a Material Adverse Effect have been made available to the Lenders.

SECTION 4.08. COMPLIANCE WITH LAWS AND AGREEMENTS. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its Property and all indentures, agreements and other instruments binding upon it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be

expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 4.09. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.10. TAXES. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.11. ERISA. The Borrower and its ERISA Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than to make contributions, pay annual PBGC premiums or pay out benefits in the ordinary course of business).

SECTION 4.12. DISCLOSURE. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Obligors to the Lender in connection with the negotiation of this Agreement and the other Loan Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 4.13. USE OF CREDIT. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of any extension of credit hereunder will be used to buy or carry any Margin Stock.

SECTION 4.14. MATERIAL AGREEMENTS AND LIENS.

(a) Part A of Schedule II is a complete and correct list of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Borrower or any of its Subsidiaries outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$200,000, and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of Schedule II.

(b) Part B of Schedule II is a complete and correct list of each Lien securing Indebtedness of any Person outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$250,000 and covering any Property of the Borrower or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the Property covered by each such Lien is correctly described in Part B of Schedule II.

SECTION 4.15. CAPITALIZATION. The authorized capital stock of the Borrower consists, as at November 30, 1997, of an aggregate of 81,000,000 shares consisting of (i) 60,000,000 shares of Class A common stock, par value \$.01 per share, of which 15,377,187 shares are duly and validly issued and outstanding and 2,199,320 shares are issued and held in treasury, each of which shares is fully paid and nonassessable, (ii) 20,000,000 shares of Class B common stock, par value \$.01 per share, of which 3,330,458 shares are duly and validly issued and outstanding and 625,725 shares are issued and held in treasury, each of which shares is fully paid and nonassessable and (iii) 1,000,000 shares of preferred stock, par value \$.01 per share, none of which are issued or are outstanding.

As at November 30, 1997, 12.13% of such issued and outstanding shares of Class A common stock and 85.22% of such issued and outstanding shares of Class B common stock are owned beneficially and of record by (i) Marvin Sands, his spouse, his children or his grandchildren, (ii) trusts which are for the benefit of Marvin Sands, his spouse, his children or his grandchildren or Andrew Stern, which trusts are under the control of Marvin Sands, his spouse, his children or his grandchildren or (iii) partnerships which are controlled by (and a majority

in interest of the partnership interests in which are owned by) Marvin Sands, his spouse, his children, his grandchildren, by a trust referred to in the foregoing clause (ii) or by a partnership that satisfies the conditions of this clause (iii). The percentage of Class A common stock set forth above does not include shares of Class A common stock (i) that may be acquired by Marvin Sands or his children through the exercise of any stock options or (ii) issuable pursuant to the conversion feature of the Class B common stock owned beneficially and of record by any of the persons, trusts and partnerships referred to in the foregoing clauses (i), (ii) and (iii).

As of the date hereof, (x) except for conversion rights associated with the Class B common stock, purchase rights associated with the Employee Stock Purchase Plan, options associated with the Long-Term Stock Incentive Plan and options listed on Schedule V hereto, there are no outstanding Equity Rights with respect to the Borrower and (y) there are no outstanding obligations of the Borrower or any of its Subsidiaries to repurchase, redeem, or otherwise acquire any shares of capital stock of the Borrower nor, are there any outstanding obligations of the Borrower or any of its Subsidiaries to make payments to any Person, such as "phantom stock" payments, where the amount thereof is calculated with reference to the fair market value or equity value of the Borrower or any Subsidiary. The Borrower has heretofore delivered to the Administrative Agent a complete and correct copy of the Employee Stock Purchase Plan, the Long-Term Stock Incentive Plan and the Incentive Stock Option Plan, each as in effect on the date hereof.

SECTION 4.16. SUBSIDIARIES AND INVESTMENTS, ETC.

(a) Set forth in Part A of Schedule IV is a complete and correct list of all of the Subsidiaries of the Borrower as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such Person and the percentage of ownership of such Subsidiary represented by such ownership interests. Except as disclosed in Part A of Schedule IV, (x) each of the Borrower and its Subsidiaries owns, free and clear of Liens (other than Liens created pursuant to the Security Documents), and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it in Part A of Schedule IV, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) there are no outstanding Equity Rights with respect to such Person.

(b) Set forth in Part B of Schedule IV is a complete and correct list of all Investments (other than Investments disclosed in Part A of Schedule IV and other than Investments of the types referred to in clauses (b), (c), (e) or (g) of Section 7.04) held by the Borrower or any of its Subsidiaries in any Person on the date hereof and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in Part B of Schedule IV, each of the Borrower and its Subsidiaries owns, free and clear of all Liens (other than Liens created pursuant to the Security Documents), all such Investments.

(c) None of the Subsidiaries of the Borrower is, on the date hereof, subject to any indenture, agreement, instrument or other arrangement of the type described in Section 7.07 (and not permitted by clauses (i) through (v) of said Section).

SECTION 4.17. REAL PROPERTY. Except with respect to leased space which does not cost in excess of \$25,000 per month in rental expense, set forth in Schedule VI is a list, as of the date of this Agreement, of all the real Property interests held by the Borrower and its Subsidiaries, indicating in each case whether the respective Property is owned or leased, the identity of the owner or lessee and the location of the respective Property.

ARTICLE V

CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective until the date on which the Administrative Agent shall have received each of the following documents, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to each Lender) in form and substance (or such condition shall have been waived in accordance with Section 10.02):

(a) EXECUTED COUNTERPARTS. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) OPINION OF COUNSEL TO THE OBLIGORS. Favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the

Effective Date) of (i) Nixon, Hargrave, Devans & Doyle LLP, counsel for the Obligors, substantially in the form of Exhibit D-1, (ii) Landels, Ripley and Diamond, LLP, special California counsel for the Obligors, substantially in the form of Exhibit D-2 and (iii) Fulton, Hubbard & Hubbard, special Kentucky counsel for the Obligors, substantially in the form of Exhibit D-3, and in each case covering such other matters relating to the Obligors, this Agreement, any other Loan Document or the Transactions as the Required Lenders shall reasonably request (and each Obligor hereby requests each such counsel to deliver such opinion to the Lenders).

(c) OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE. An opinion, dated the Effective Date, of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, substantially in the form of Exhibit E (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(d) CORPORATE DOCUMENTS. Such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Obligor, the authorization of the Transactions and any other legal matters relating to the Obligors, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in the lettered clauses of the first sentence of Section 5.03.

(f) SECURITY AGREEMENT. The Security Agreement, duly executed and delivered by the Borrower, the Subsidiary Guarantors and the Administrative Agent and the certificates identified under the name of such Obligor in Annex 1 thereto, in each case accompanied by undated stock powers executed in blank. In addition, each Obligor shall have taken such other action (including, without limitation, delivering to the Administrative Agent, for filing, appropriately completed and duly executed copies of Uniform Commercial Code financing statements) as the Administrative Agent shall have requested in order to perfect the security interests created pursuant to the Security Agreement.

(g) MORTGAGES; TITLE INSURANCE; ETC.. The following documents each of which shall be executed (and, where appropriate, acknowledged) by Persons satisfactory to the Administrative Agent:

(i) with respect to each Mortgage, an instrument of Modification and Confirmation pursuant to which such Mortgage shall have been amended in form and substance satisfactory to the Administrative Agent to spread the Lien thereof to secure the obligations under this Agreement, in each case duly executed, acknowledged and delivered by the respective parties thereto, in recordable form (in such number of copies as the Administrative Agent shall have requested); and

(ii) mortgagee down-date continuation reports for existing title policies issued pursuant to the Existing Credit Agreement, subject only to such exceptions as are satisfactory to each Lender and, to the extent necessary under applicable law, for filing in the appropriate county land offices, Uniform Commercial Code financing statements covering fixtures, in each case appropriately completed and duly executed.

In addition, the Borrower shall have paid to the respective title companies all expenses of such title companies in connection with the issuance of the down-date continuation reports and in addition shall have paid to such title companies an amount equal to the recording and stamp taxes payable in connection with recording the respective instruments of Modification and Confirmation in the appropriate county land offices.

(h) INSURANCE. Certificates of insurance evidencing the existence of all insurance required to be maintained by the Borrower pursuant to Section 6.05(b) and the designation of the Administrative Agent as the loss payee or additional named insured, as the case may be, thereunder to the extent required by Section 6.05(b), such certificates to be in such form and contain such information as is specified in Section 6.05(b). In addition, the Borrower shall have delivered (i) a certificate of a Financial Officer of the Borrower setting forth the insurance obtained by it in accordance with the requirements of Section 6.05(b) and stating that such insurance is in full force and effect and that all premiums then due and payable thereon have been paid and (ii) a written report, dated reasonably near the Effective Date, of Johnson & Higgins and Accordia of the South, Inc., or any other firm of independent insurance brokers of nationally recognized standing, as to such insurance and stating that, in their opinion, such insurance adequately protects the interests of the Administrative Agent and the Lenders and is in compliance with the provisions of Section 6.05(b).

(i) ENVIRONMENTAL MATTERS. An environmental risk questionnaire with respect to each of the existing sites and facilities that are owned,

operated or leased by the Borrower or any of its Subsidiaries and covered by environmental surveys and assessments delivered pursuant to the Existing Credit Agreement, and such environmental questionnaire (containing such inquiries with respect to environmental matters as shall have been requested by any Lender), and the responses thereto, shall be in form and substance satisfactory to the Administrative Agent. In addition if requested by any Lender, the Borrower shall have provided to the Administrative Agent an environmental assessment prepared by a firm of environmental consultants (familiar with the identification of toxic and hazardous substances), in form and substance satisfactory to the Administrative Agent, based upon physical on-site inspections by such firm of the existing sites and facilities owned, operated or leased by the Borrower or any of its Subsidiaries, as well as a historical review of the uses of such sites and facilities and of the business and operations of the Borrower or any of its Subsidiaries (including any former Subsidiaries or divisions of the Borrower or any of its Subsidiaries that have been disposed prior to the date of the assessment and with respect to which the Borrower or any of its Subsidiaries may have retained liability for Environmental Claims).

(j) SOLVENCY ANALYSIS. A certificate from the chief financial officer of the Borrower to the effect that, as of the Effective Date and after giving effect to the initial extension of credit hereunder and to the other transactions contemplated hereby, (i) the aggregate value of all Properties of the Borrower and its Subsidiaries at their present fair saleable value (I.E., the amount which may be realized within a reasonable time, considered to be six months to one year, either through collection or sale at the regular market value, conceiving the latter as the amount which could be obtained for the Property in question within such period by a capable and diligent business person from an interested buyer who is willing to purchase under ordinary selling conditions), exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of the Borrower and its Subsidiaries, (ii) the Borrower and its Subsidiaries will not, on a consolidated basis, have an unreasonably small capital with which to conduct their business operations as heretofore conducted and (iii) the Borrower and its Subsidiaries will have, on a consolidated basis, sufficient cash flow to enable them to pay their debts as they mature.

(k) REPAYMENT OF EXISTING CREDIT AGREEMENT. Evidence that the principal of and interest on, and all other amounts owing in respect of, the Indebtedness (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) under the Existing Credit Agreement shall have been (or shall be simultaneously) paid in full, that any commitments to extend credit thereunder shall have been (or shall be simultaneously) canceled or terminated and that all Guarantees in respect of, and all Liens securing, any such Indebtedness shall have been assigned or transferred to the Administrative Agent hereunder (or arrangements for such assignment or transfer satisfactory to the Administrative Agent shall have been made).

(l) OTHER DOCUMENTS. Such other documents as the Administrative Agent or any Lender or special New York counsel to Chase may reasonably request.

The obligation of any Lender to make its initial extension of credit hereunder is also subject to the payment by the Borrower of such fees as the Borrower shall have agreed to pay to any Lender or the Administrative Agent in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the extensions of credit hereunder (to the extent that statements for such fees and expenses have been delivered to the Borrower).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) on or prior to 3:00 p.m., New York City time, on December 31, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 5.02. SPECIAL CONDITIONS FOR TRANCHE II TERM LOAN BORROWINGS. The obligation of each Lender to make a Tranche II Term Loan of any Series on the occasion of any Tranche II Term Loan Borrowing is subject to the satisfaction of the following additional conditions:

(a) TRANCHE II TERM LOAN AGREEMENT. Each of the Tranche II Term Loan Lenders in respect of such Series, the Borrower and the Administrative Agent shall have executed the Tranche II Term Loan Agreement for such Series pursuant to which such Lenders agree to become obligated in respect of a Tranche II Term Loan Commitment hereunder.

(b) USE OF PROCEEDS. The Borrower shall have delivered to the Administrative Agent a certificate specifying in reasonable detail the

proposed use of the proceeds of such Tranche II Term Loan Borrowing (which use shall comply with the requirements of Section 6.08).

(c) PRO FORMA COMPLIANCE. The Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer of the Borrower setting forth calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating pro forma compliance with Section 7.08 for (i) the four consecutive fiscal quarters most recently ended prior to the proposed date of the Tranche II Term Loan Borrowing and (ii) the current fiscal quarter and each of the next three succeeding fiscal quarters (in each case on a pro forma basis under the assumption that such Tranche II Term Loan Borrowing and any related Acquisition from the proceeds of such Borrowing had been effected on the first day(s) of such respective period(s)).

(d) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents in connection with such Borrower as the Administrative Agent or any of the Tranche II Term Loan Lenders of such Series or special New York counsel to Chase may reasonably request.

SECTION 5.03. EACH CREDIT EVENT. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of each Issuing Lender to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) the representations and warranties of the Borrower set forth in this Agreement, and of each Obligor in each of the other Loan Documents to which it is a party, shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable; and

(b) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in the preceding sentence.

ARTICLE VI

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Arthur Andersen LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, all certified by a Financial Officer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) of this Section, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a

Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth calculations in form and detail satisfactory to the Administrative Agent demonstrating compliance with Sections 7.01(g), 7.04(i), 7.04(j) and 7.08, (iii) setting forth a calculation of the Debt Ratio as at the end of the respective fiscal period (and indicating which Category of Applicable Rate shall become effective upon the delivery of such financial statements as contemplated by the definition of the term "Applicable Rate" in Section 1.01) and (iv) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) of this Section, (i) a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines) and (ii) a calculation setting forth the amount of Excess Cash Flow for the relevant period for which such Excess Cash Flow is to be calculated under Section 2.11(c) (iii);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any of its Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally or to holders of Subordinated Indebtedness generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries, or compliance with the terms of this Agreement and the other Loan Documents, as the Administrative Agent or any Lender may reasonably request.

SECTION 6.02. NOTICES OF MATERIAL EVENTS. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any of its Affiliates that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;

(d) the assertion of any Environmental Claim by any Person against, or with respect to the activities of, the Borrower or any of its Subsidiaries and any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations, other than any Environmental Claim or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect; and

(e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 6.03. EXISTENCE; CONDUCT OF BUSINESS. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; PROVIDED that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.03.

SECTION 6.04. PAYMENT OF OBLIGATIONS. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.05. MAINTENANCE OF PROPERTIES; INSURANCE. The Borrower will, and

will cause each of its Subsidiaries to, (a) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 6.06. BOOKS AND RECORDS; INSPECTION RIGHTS. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 6.07. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.08. USE OF PROCEEDS AND LETTERS OF CREDIT. The proceeds of the Tranche I Revolving Loans will be used solely to (a) repay on the Effective Date Indebtedness owing under the Existing Credit Agreement, (b) provide working capital for the Borrower and its Subsidiaries, (c) make Acquisitions permitted under Section 7.03, (d) pay the expenses relating to the consummation of the transactions contemplated hereby and (e) to provide funds for the other general corporate purposes (including Capital Expenditures) of the Borrower and its Subsidiaries, PROVIDED that, as provided in Section 7.03(d), the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses referred to in said Section. The proceeds of the Tranche I Term Loans will be used solely to repay on the Effective Date Indebtedness owing under the Existing Credit Agreement. The proceeds of the Tranche II Revolving Loans will be used solely to provide working capital for the Borrower and its Subsidiaries. The proceeds of the Tranche II Term Loans will be used solely in connection with Acquisitions permitted under Section 7.03 (excluding, however, the acquisition of vineyard properties), PROVIDED that an aggregate of up to \$50,000,000 of the proceeds of all Tranche II Term Loan Borrowings may be used for general corporate purposes of the Borrower. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X. Letters of Credit will be issued only to support general corporate purposes of the Borrower and its Subsidiaries.

SECTION 6.09. CERTAIN OBLIGATIONS RESPECTING SUBSIDIARIES.

(a) SUBSIDIARY GUARANTORS. The Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries of the Borrower (other than Excluded Entities) are "Subsidiary Guarantors" hereunder. Without limiting the generality of the foregoing, in the event that the Borrower or any of its Subsidiaries shall acquire or form any new Subsidiary after the date hereof that the Borrower or the respective Subsidiary anticipates will not be an Excluded Entity (or, in the event that any Excluded Entity shall cease to be an Excluded Entity), the Borrower or the respective Subsidiary will cause such new Subsidiary (or such Excluded Entity which ceases to be an Excluded Entity) to

(i) become a "Subsidiary Guarantor" hereunder, and an "Obligor" under the Security Agreement pursuant to a Guarantee Assumption Agreement,

(ii) take such action (including delivering such shares of stock, executing and delivering such Uniform Commercial Code financing statements) as shall be necessary to create and perfect valid and enforceable first priority Liens on substantially all of the personal Property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder and

(iii) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to Section 5.01 on the Effective Date or as the Administrative Agent shall have requested.

(b) OWNERSHIP OF SUBSIDIARIES. The Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that each of its Subsidiaries (other than Joint Venture Entities and Inactive Subsidiaries) is a Wholly-Owned Subsidiary. In the event that any additional shares of stock shall be issued by any Subsidiary, the respective Obligor agrees forthwith to deliver to the Administrative Agent pursuant to the Security Agreement the certificates evidencing such shares of stock, accompanied by undated stock powers executed in blank and to take such other action as the Administrative Agent shall request to perfect the security interest created

therein pursuant to the Security Agreement, PROVIDED that, notwithstanding the foregoing, the Obligors shall not be required to pledge more than 66-2/3% of the outstanding shares of voting stock of any Foreign Subsidiary.

ARTICLE VII

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 7.01. INDEBTEDNESS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Part A of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$1,000,000), PROVIDED that in any event the principal of and interest on, and all other amounts owing in respect of Indebtedness under the Existing Credit Agreement (other than in respect of letters of credit which, as provided in Section 2.06(1) are to become Letters of Credit hereunder) shall be repaid in full on the Effective Date;

(c) Subordinated Indebtedness;

(d) Indebtedness of any Subsidiary to the Borrower or any other Subsidiary;

(e) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(f) Guarantees by the Borrower or by any Subsidiary of Indebtedness of any Person (other than the Borrower or any of its Subsidiaries); PROVIDED that the aggregate principal amount of Indebtedness in respect of all such Guarantees shall not exceed \$25,000,000 at any time outstanding; and

(g) other Indebtedness (including Capital Lease Obligations) of the Borrower and its Subsidiaries, PROVIDED that at the time of the creation, incurrence or assumption thereof and at any time after giving effect thereto the aggregate principal amount of such Indebtedness shall not exceed \$40,000,000.

SECTION 7.02. LIENS. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any Property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens created pursuant to the Security Documents (and, prior to the Effective Date, Liens securing Indebtedness under the Existing Credit Agreement);

(b) Permitted Encumbrances;

(c) any Lien on any Property or asset of the Borrower or any of its Subsidiaries existing on the date hereof and set forth in Part B of Schedule II (or, to the extent not meeting the minimum thresholds for required listing on said Schedule II pursuant to Section 4.14, in an aggregate amount not exceeding \$500,000); PROVIDED that (i) no such Lien shall extend to any other Property or asset of the Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien upon tangible personal Property acquired after the date hereof by the Borrower or any of its Subsidiaries, which Lien either (A) existed on such Property before the time of its acquisition and was not created in anticipation thereof, or (B) was created solely for the purpose of securing Indebtedness permitted under Section 7.02(e) representing, or incurred to finance, refinance or refund, the cost of such Property; PROVIDED that (i) such Lien is not created in contemplation of or in connection with such acquisition, (ii) such Lien shall not apply to any other Property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition and extensions, renewals and replacements thereof permitted under clause (e) below; and

(e) any extension, renewal or replacement of the foregoing, provided,

however, that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or Property (other than a substitution of like Property).

SECTION 7.03. FUNDAMENTAL CHANGES. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Borrower will not, nor will it permit any of its Subsidiaries to, acquire any business or Property from, or capital stock of, or be a party to any acquisition of, any Person except purchases of inventory and other Property to be sold or used in the ordinary course of business, Investments permitted under Section 7.04 and Capital Expenditures. The Borrower will not, nor will it permit any of its Subsidiaries to, convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its business or Property, whether now owned or hereafter acquired (including, without limitation, receivables and lease-hold interests, but excluding sales and other dispositions of (i) any inventory or other Property sold or disposed of in the ordinary course of business and on ordinary business terms and (ii) other Property so long as the amount of such other Property sold in any single fiscal year by the Borrower and its Subsidiaries shall have a fair market value not in excess of 3% of the Consolidated Tangible Assets as at the first day of such fiscal year).

Notwithstanding the foregoing provisions of this Section:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into: (i) the Borrower if the Borrower shall be the continuing or surviving corporation or (ii) any Wholly-Owned Subsidiary; PROVIDED that in any such transaction, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any such Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its Property (upon voluntary liquidation or otherwise) to the Borrower or a Wholly-Owned Subsidiary of the Borrower;

(c) the Borrower or any Subsidiary of the Borrower may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of the Borrower, the Borrower is the surviving corporation and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary of the Borrower and (ii) after giving effect thereto no Default would exist hereunder;

(d) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) acquire the business or Property from, or capital stock of, or enter into a joint venture with, or be a party to an Acquisition of another Person, so long as at the time thereof and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect; PROVIDED that the Borrower will not use more than \$50,000,000 of the proceeds of the Tranche I Revolving Loans to fund any such transaction and/or pay any related fees or expenses;

(e) the Borrower may (either directly, or indirectly through its Wholly-Owned Subsidiaries) sell, lease, transfer or otherwise dispose of the Madera Wine Cellars facility located in Madera, California;

(f) the Borrower may, for the purpose of transferring its jurisdiction of incorporation from Delaware to another state of incorporation, merge with and into a Wholly-Owned Subsidiary in a transaction constituting a tax-free reorganization under 368(a)(1)(F) of the Code, so long as:

(x) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such merger;

(y) such Subsidiary shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which such Subsidiary shall, effective upon such merger, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents); and

(z) such Subsidiary shall deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 hereof upon the Effective Date or as any Lender or the Administrative Agent shall have requested; and

(g) the Borrower may, for the purpose of making itself a Wholly-Owned Subsidiary of a newly-formed holding company (herein the "HOLDING COMPANY"), enter into a transaction of merger or consolidation with another entity or transfer its assets to another entity (such entity, in either

such case, being herein called the "NEW COMPANY"), so long as:

(u) the Borrower shall give the Lenders and the Administrative Agent at least 15 days prior written notice of the occurrence of such transaction (which notice shall specify the manner and timing in which such transaction is to occur);

(v) in such transaction the shareholders of the Borrower shall receive in exchange for the shares of stock in the Borrower held by them immediately prior to such transaction newly-issued shares of stock in the Holding Company representing substantially the same respective percentage ownership interests in the Holding Company as such shareholders held in the Borrower immediately prior to such transaction;

(w) immediately after giving effect to such transaction, the Borrower (or the New Company, as the case may be) shall be a Wholly-Owned Subsidiary of the Holding Company;

(x) in the event that such transaction constitutes a merger with a New Company in which the Borrower is not the surviving entity or such transaction involves the transfer by the Borrower of its assets to a New Company, the New Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the New Company shall, effective upon such transaction, assume all of the obligations of the Borrower hereunder and under the Security Documents (and execute and deliver such other instruments as the Administrative Agent shall request to ensure the continued perfection and priority of any Liens granted by the Borrower pursuant to the Security Documents);

(y) the Holding Company shall execute and deliver an instrument in form and substance satisfactory to each Lender and the Administrative Agent pursuant to which the Holding Company shall, effective upon such transaction, guarantee all of the obligations of the Borrower (or the New Company, as the case may be) hereunder and under the Security Documents and pledge all of the shares of stock held by it in the Borrower (or the New Company, as the case may be) and shall take such further action as the Administrative Agent shall request to ensure the perfection and priority of any Liens granted by the Holding Company pursuant to such instrument; and

(z) the Holding Company and the Borrower (or the New Company, as the case may be) shall each deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Borrower pursuant to Section 5.01 upon the Effective Date or as any Lender or the Administrative Agent shall have requested.

SECTION 7.04. INVESTMENTS. The Borrower will not, nor will it permit any of its Subsidiaries to, make or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in Part B of Schedule IV;

(b) operating deposit accounts with banks;

(c) Permitted Investments;

(d) Investments by the Borrower and its Wholly-Owned Subsidiaries in the Borrower and its Wholly-Owned Subsidiaries, PROVIDED that the aggregate amount of such Investments in Foreign Subsidiaries, together with the aggregate amount of Investments in Joint Venture Entities under paragraph (i) below, shall not exceed \$20,000,000 at any one time;

(e) Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(f) Investments permitted pursuant to clause (d) of Section 7.03;

(g) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;

(h) the Senior Subordinated Note Guarantees, and any Guarantee of additional Subordinated Indebtedness that complies with the requirements Section 7.09(b);

(i) Investments by the Borrower and its Subsidiaries in Joint Venture Entities (and Investments by Joint Venture Entities in other Persons), PROVIDED that the aggregate amount of such Investments in Joint Venture Entities, together with the aggregate amount of Investments in Foreign Subsidiaries, under paragraph (d) above, shall not exceed \$20,000,000 at any one time; and

(j) additional Investments by the Borrower (excluding, however, Investments in Joint Venture Entities) up to but not exceeding \$15,000,000 at any one time outstanding.

The aggregate amount of an Investment at any one time outstanding for purposes of clauses (d), (i) and (j) above shall be deemed to be equal to (A) the aggregate amount of cash, together with the aggregate fair market value of Property, loaned, advanced, contributed, transferred or otherwise invested that gives rise to such Investment MINUS (B) the aggregate amount of dividends, distributions or other payments received in cash in respect of such Investment; the amount of an Investment shall not in any event be reduced by reason of any write-off of such Investment nor increased by any increase in the amount of earnings retained in the Person in which such Investment is made that have not been dividended, distributed or otherwise paid out.

SECTION 7.05. RESTRICTED PAYMENTS.

(a) The Borrower will not, nor will it permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that the Borrower may (i) declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock, (ii) make Restricted Payments in respect of stock appreciation rights, or other stock-based awards, as contemplated by the Long-Term Stock Incentive Plan so long as no Default shall have occurred and be continuing or would result therefrom, (iii) cancel or terminate any warrants, options or any other rights to acquire any shares of capital stock of the Borrower in exchange for the issuance of any other warrants, options or rights to acquire shares of capital stock of the Borrower, (iv) repurchase its capital stock to the extent provided in paragraph (b) below and (v) declare and make Restricted Payments in cash, subject (in the case of this clause (v)) to the satisfaction of each of the following conditions on the date of such Restricted Payment and after giving effect thereto:

(w) no Default shall have occurred and be continuing;

(x) the aggregate amount of Restricted Payments made during any fiscal year, including the fiscal year ending February 28, 1998, shall not exceed an amount equal to 50% of consolidated net income of the Borrower and its Consolidated Subsidiaries for such fiscal year;

(y) the Debt Ratio for the period of four consecutive fiscal quarters most recently ended prior to the date of any such Restricted Payment shall not exceed 2.00 to 1; and

(z) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not more than 20 Business Days) prior to the date of declaration of any such Restricted Payment, a certificate of a Financial Officer of the Borrower setting forth computations in reasonable detail demonstrating satisfaction of the foregoing conditions as at the date of such certificate and stating that such Financial Officer believes in good faith that none of such conditions will fail to be satisfied on the date of payment of such Restricted Payment,

it being understood that to the extent the conditions specified in the foregoing clauses (w) through (y) are satisfied on the date of declaration of such Restricted Payment by the board of directors of the Borrower, such Restricted Payment may be made at any time within the 60- day period thereafter, regardless of whether such conditions continue to be satisfied.

(b) The Borrower may on any date make any Restricted Payment consisting of a repurchase of its capital stock, PROVIDED that:

(i) the Borrower shall have delivered to the Administrative Agent, at least 10 Business Days (but not earlier than the first day of the current fiscal quarter) prior to such date, a certificate of a Financial Officer of the Borrower setting forth an aggregate amount (herein, the "PROPOSED AMOUNT") proposed to be expended by the Borrower in respect of such repurchase and calculations in form and detail (including assumptions) satisfactory to the Administrative Agent demonstrating on a pro forma basis that the Borrower would have been in compliance with Section 7.08 during the four quarter period most-recently ended, and during the four-quarter period following the date of such Restricted Payment, in each case after giving effect to Restricted Payments in the Proposed Amount;

(ii) the Borrower will not make Restricted Payments under this paragraph (b) in excess of the Proposed Amount without delivering to the Administrative Agent pursuant to clause (i) above another calculation (with respect to an additional "Proposed Amount") demonstrating pro forma compliance as described in said clause (i) with respect to such additional "Proposed Amount"; and

(iii) the Borrower will not make any Restricted Payment under this paragraph (b) unless at the time thereof, and after giving effect thereto, no Default shall have occurred and be continuing.

(c) Nothing in this Section shall be deemed to prohibit the payment of dividends by any Subsidiary of the Borrower to the Borrower or to any other Subsidiary of the Borrower.

SECTION 7.06. TRANSACTIONS WITH AFFILIATES. The Borrower will not, nor will it permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates; PROVIDED that (x) any Affiliate who is an individual may serve as a director, officer or employee of the Borrower or any of its Subsidiaries and receive reasonable compensation for his or her services in such capacity and (y) the Borrower and its Subsidiaries may enter into transactions (other than extensions of credit by the Borrower or any of its Subsidiaries to an Affiliate) providing for the leasing of Property, the rendering or receipt of services or the purchase or sale of inventory and other Property in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower and its Subsidiaries as the monetary or business consideration which would obtain in a comparable transaction with a Person not an Affiliate.

During any period that the Borrower is a public company regulated by, and required to file regular periodic reports with, the Securities and Exchange Commission, any compensation paid to an executive officer of the Borrower (who is an Affiliate) which has been specifically approved by the board of directors of the Borrower (or by the Compensation Committee of the board of directors of the Borrower) during such period will be deemed to be reasonable for purposes of the foregoing. Notwithstanding the foregoing, the Borrower may enter into so-called split-dollar life insurance agreements with Affiliates substantially in the form of Schedule VII, so long as the aggregate amount of premiums payable by the Borrower during any fiscal year pursuant to such agreements shall not exceed \$2,000,000 in the aggregate.

SECTION 7.07. CERTAIN RESTRICTIONS ON SUBSIDIARIES. The Borrower will not permit any of its Subsidiaries (other than Joint Venture Entities) to enter into, after the date hereof, any indenture, agreement, instrument or other arrangement that, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the incurrence or payment of Indebtedness, the granting of Liens, the declaration or payment of dividends, the making of loans, advances, guarantees or Investments or the sale, assignment, transfer or other disposition of Property; PROVIDED that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing pursuant to the Senior Subordinated Note Indenture (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), or pursuant to any additional Subordinated Indebtedness to the extent that such restrictions are not less favorable to the Borrower than those contained in the Senior Subordinated Note Indenture, (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) as applied to Liens, the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) as applied to Liens, the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 7.08. CERTAIN FINANCIAL COVENANTS.

(a) DEBT RATIO. The Borrower will not permit the Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	4.50 to 1
From 3/1/99 through 2/29/00	4.00 to 1
From 3/1/00 and at all times thereafter	3.50 to 1

(b) SENIOR DEBT RATIO. The Borrower will not permit the Senior Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

PERIOD	RATIO
From the date hereof through 2/28/99	3.50 to 1
From 3/1/99 and at	

(c) INTEREST COVERAGE RATIO. The Borrower will not permit the Interest Coverage Ratio to be less than 3.25 to 1 at any time.

(d) FIXED CHARGES RATIO. The Borrower will not permit the Fixed Charges Ratio to be less than 1.00 to 1 as at the last day of any fiscal quarter of each fiscal year.

SECTION 7.09. SUBORDINATED INDEBTEDNESS. The Borrower may after the date hereof incur additional Subordinated Indebtedness subject to the following conditions (each of which shall have been fulfilled in form and substance satisfactory to the Required Lenders):

(a) such Indebtedness shall be subordinated to the obligations of the Borrower to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(b) such Indebtedness shall be an obligation of the Borrower only, and none of its Subsidiaries shall be contingently or otherwise obligated in respect thereof, unless subordinated to the obligations of such Subsidiary to pay principal of and interest on the Loans, the Reimbursement Obligations and all other amounts payable hereunder on terms in form and substance satisfactory to the Required Lenders (it being understood that the terms and provisions of the Senior Subordinated Note Indenture are satisfactory to the Required Lenders);

(c) to the extent required pursuant to Section 2.11(c)(v), proceeds of such Indebtedness shall be applied to prepay Loans in the manner provided in Section 2.11(c)(v);

(d) the terms of such Indebtedness shall not provide for payment of any portion of the principal thereof prior to the date six months after the final maturity of the Loans hereunder;

(e) terms in respect of financial and other covenants, events of default and mandatory prepayments applicable to such Indebtedness shall have been reasonably determined by the Required Lenders to be terms that are at the time customary in the market for subordinated debt being incurred by borrowers, and in transactions, comparable in the reasonable judgment of the Required Lenders to the Borrower and proposed debt issuance (it being understood that the terms in respect of financial and other covenants, events of default and mandatory prepayments included in the Senior Subordinated Note Indenture are, in the judgment of the Required Lenders, comparable to those customary in such market);

(f) at the time of issuance of such Indebtedness, and after giving effect thereto, the Borrower shall be in compliance with Section 7.08 (the determination of such ratios to be calculated under the assumption that such Indebtedness was issued, at the beginning of the respective period and that any other Indebtedness to be retired with the proceeds thereof was in fact retired on such date of issuance), and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect setting forth in reasonable detail the computations necessary to determine such compliance; and

(g) at the time of such issuance, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing hereunder and the Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer to such effect.

Neither the Borrower nor any of its Subsidiaries shall purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Subordinated Indebtedness, except that the Borrower may (i) make payments on the regularly-scheduled payment dates with respect to the principal of and interest on the Subordinated Indebtedness as in effect on the date hereof (or, as to any Subordinated Indebtedness issued after the date hereof, as originally in effect), and (ii) so long as no Default shall have occurred and be continuing (or will occur as a result of such payment), from the proceeds of Subordinated Indebtedness issued in accordance with the first paragraph of this Section, redeem Subordinated Indebtedness that is being refinanced as contemplated in clause (c) of the first paragraph of this Section. Neither the Borrower nor any of its Subsidiaries will consent to any modification, supplement or waiver of any of the provisions of any Subordinated Indebtedness without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.10. MODIFICATIONS OF CERTIFICATE OF INCORPORATION. Notwithstanding the provisions of clause (f) or (g) of Section 7.03, the

Borrower will not modify or supplement its Certificate of Incorporation as in effect on the date hereof in any manner adverse to the interests of the Lenders without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

SECTION 7.11. INVENTORY LOCATED IN OFF-PREMISES WAREHOUSES. The Borrower will not, nor will it permit any of its Subsidiaries to, maintain inventory at Off-Premises Warehouses in an amount in excess of \$50,000,000 (as to the Borrower and all Subsidiaries) at any time unless the Borrower or such Subsidiary has taken such steps as are necessary to ensure that the Administrative Agent has a valid prior perfected security interest in such inventory (including, without limitation, the filing of an appropriate uniform commercial code financing statement in the respective jurisdiction in which such inventory is located naming the Borrower or such Subsidiary as "secured party" and the delivery of satisfactory evidence that such an arrangement constitutes a consignment or first priority perfected security interest under applicable law and that such security interest has been validly assigned to the Administrative Agent under the Security Agreement).

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or under any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of two or more Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall prove to have been incorrect when made or deemed made in any material respect;

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.02, 6.03 (with respect to the Borrower's existence) or 6.09 or in Article VII;

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or any other Loan Document and such failure shall continue unremedied for a period of 45 or more days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;

(f) the Borrower or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; PROVIDED that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the Property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any of its Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in excess of \$500,000 in the aggregate (exclusive of judgment amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$5,000,000 in the aggregate (regardless of insurance coverage) shall be rendered against the Borrower or any of its Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any of its Subsidiaries to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a reasonable basis shall exist for the assertion against the Borrower or any of its Subsidiaries of (or there shall have been asserted against the Borrower or any of its Subsidiaries) claims or liabilities, whether accrued, absolute or contingent, based on or arising from the generation, storage, transport, handling or disposal of Hazardous Materials by the Borrower or any of its Subsidiaries or Affiliates, or any predecessor in interest of the Borrower or any of its Subsidiaries or Affiliates, or relating to any site or facility owned, operated or leased by the Borrower or any of its Subsidiaries or Affiliates, which claims or liabilities (insofar as they are payable by the Borrower or any of its Subsidiaries but after deducting any portion thereof which is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor), in the judgment of the Required Lenders are reasonably likely to be determined adversely to the Borrower or any of its Subsidiaries, and the amount thereof is, singly or in the aggregate, reasonably likely to have a Material Adverse Effect;

(n) common stock of the Borrower (after giving effect to the exercise of all outstanding Equity Rights, other than the conversion of shares of Class B common stock into shares of Class A common stock), which in the aggregate represents voting power to elect at least 50% (in number of votes) of the board of directors of the Borrower, shall cease to be owned or otherwise controlled by (i) Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, (ii) trusts for the benefit of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or any trust for the benefit of Andrew Stern, which trusts are under the control of Marvin Sands, his children, his grandchildren or any spouse of any of the foregoing persons, or (iii) partnerships which are controlled by (and a majority in interest of the partnership interests in which are owned by) Marvin Sands, his children, his grandchildren, any spouse of any of the foregoing persons, by a trust referred to in the foregoing clause (ii) or by any partnership that satisfies the conditions of this clause (iii); or

(o) any Lien created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Administrative Agent, free and clear of all other Liens (other than Liens permitted under Section 7.02 or under the respective Security Documents), or, except for expiration in accordance with its terms, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, or the enforceability thereof shall be contested by any Obligor;

then, and in every such event (other than an event with respect to any Obligor described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii)

declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; and in case of any event with respect to any Obligor described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Obligors accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Lenders hereby irrevocably appoints the Administrative Agent as its agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein and in the other Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein or therein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for an Obligor), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a commercial bank having an office in New York City and capital and surplus of at least \$500,000,000. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Lenders, appoint a successor Administrative Agent meeting the qualifications described above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Except as otherwise provided in Section 10.02(b) with respect to this Agreement, the Administrative Agent may, with the prior consent of the Required Lenders (but not otherwise), consent to any modification, supplement or waiver under any of the Loan Documents, PROVIDED that, without the prior consent of each Lender, the Administrative Agent shall not (except as provided herein or in the Security Documents) release any collateral or otherwise terminate any Lien under any Security Document providing for collateral security, agree to additional obligations being secured by such collateral security (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document, in which event the Administrative Agent may consent to such junior Lien provided that it obtains the consent of the Required Lenders thereto) or alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents, except that no such consent shall be required, and the Administrative Agent is hereby authorized, to release any Lien covering Property that is the subject of either a disposition of Property permitted hereunder or a disposition to which the Required Lenders have consented.

Without the authorization of the Required Lenders, neither the Administrative Agent nor any Lender shall send to the Borrower or the Trustee under the Senior Subordinated Note Indenture any notice of a Default or Event of Default hereunder if such notice would result in a payment block in respect of the Senior Subordinated Notes.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or any Subsidiary Guarantor, to it at 116 Buffalo Street, Canandaigua, New York 14424-1086, Attention of Robert Sands, Esq. (Telecopy No. (716) 394-6017);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention Loan and Agency Services Group (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Elizabeth Iacoviello (Telecopy No. 212-270-6937);

(c) if to either Issuing Lender, to it at such address as may be notified by it to the other parties hereto;

(d) if to the Swingline Lender, to it at such address as may be notified by it to the other parties hereto; and

(e) if to a Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. WAIVERS; AMENDMENTS.

(a) NO DEEMED WAIVERS; REMEDIES CUMULATIVE. No failure or delay by the Administrative Agent, either Issuing Lender or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Lenders and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Obligor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or either Issuing Lender may have had notice or knowledge of such Default at the time.

(b) AMENDMENTS. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; PROVIDED that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied as between the Lenders or Classes of Loans, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release any Subsidiary Guarantor from any of its guarantee obligations under Article III without the written consent of each Lender; and PROVIDED FURTHER that (x) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, either Issuing Lender or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, and (y) that any modification or supplement of Article III shall require the consent of each Subsidiary Guarantor.

Anything in this Agreement to the contrary notwithstanding, no waiver or modification of any provision of this Agreement that has the effect (either immediately or at some later time) of enabling the Borrower to satisfy a condition precedent to the making of a Revolving Loan, or Tranche II Term Loan of any Series, shall be effective against the Lenders of such Class for purposes of the respective Tranche I Revolving Commitments, Tranche II Revolving Commitments or Tranche II Term Loan Commitments of such Series, as applicable, unless the Required Lenders of such Class shall have concurred with such waiver or modification, and no waiver or modification of any provision of this Agreement or any other Loan Document that could reasonably be expected to adversely affect the Lenders of any Class shall be effective against the Lenders of such Class unless the Required Lenders of such Class shall have concurred with such waiver or modification.

SECTION 10.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) COSTS AND EXPENSES. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by either Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Administrative Agent, either Issuing Lender or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, either Issuing Lender or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents,

including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof and (iv) and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by any Security Document or any other document referred to therein.

(b) INDEMNIFICATION BY BORROWER. The Borrower shall indemnify the Administrative Agent, each Issuing Lender and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by either Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) REIMBURSEMENT BY LENDERS. To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, an Issuing Lender or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; PROVIDED that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Lender or the Swingline Lender in its capacity as such.

(d) WAIVER OF CONSEQUENTIAL DAMAGES, ETC. To the extent permitted by applicable law, no Obligor shall assert, and each Obligor hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) PAYMENTS. All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.04. SUCCESSORS AND ASSIGNS.

(a) ASSIGNMENTS GENERALLY. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Obligor may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Obligor without such consent shall be null and void), PROVIDED that any merger or consolidation involving any Obligor permitted under Section 7.03 shall not be deemed to be an assignment for purposes of this paragraph (a). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Lenders and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ASSIGNMENTS BY LENDERS. Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); PROVIDED that:

(i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the respective Issuing Lender and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld),

(ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment(s), the amount of the Commitment(s) of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent,

(iii) each partial assignment of the Loans or Commitments of any Class shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement in respect of such Class, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans,

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and

(v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

PROVIDED FURTHER that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VIII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 10.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) MAINTENANCE OF REGISTER BY ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, either Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) EFFECTIVENESS OF ASSIGNMENTS. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) PARTICIPATIONS. Any Lender may, without the consent of the Borrower, the Administrative Agent, either Issuing Lender or the Swingline Lender, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments and the Loans owing to it); PROVIDED that (i) such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Lenders and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to

paragraph (b) of this Section.

(f) LIMITATIONS ON RIGHTS OF PARTICIPANTS. A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) PLEDGES. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; PROVIDED that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) NO ASSIGNMENTS TO OBLIGORS OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan or LC Exposure held by it hereunder to the Borrower or any of its Affiliates or Subsidiaries without the prior consent of each Lender.

SECTION 10.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, either Issuing Lender or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, 3.03 and 10.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Obligor against any of and all the obligations of any Obligor now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) GOVERNING LAW. This Agreement shall be construed in accordance with and

governed by the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. Each Obligor hereby irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, either Issuing Lender or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) WAIVER OF VENUE. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) SERVICE OF PROCESS. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. TREATMENT OF CERTAIN INFORMATION; CONFIDENTIALITY.

(a) TREATMENT OF CERTAIN INFORMATION. The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender and the Borrower hereby authorizes each Lender to share any information delivered to such Lender by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) of this Section as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

(b) CONFIDENTIALITY. Each of the Administrative Agent, the Issuing Lenders and the Lenders agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to bank examiners (or any other regulatory authority having jurisdiction over any Lender or the Administrative Agent), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this paragraph, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (vii) with the consent of the Borrower or (viii) to the

extent such Information (A) becomes publicly available other than as a result of a breach of this paragraph or (B) becomes available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis from a source other than an Obligor. For the purposes of this paragraph, "INFORMATION" means all information received from any Obligor or any of its Subsidiaries or Joint Venture Entities relating to any Obligor, its business or any such Subsidiary or Joint Venture Entity, other than any such information that is available to the Administrative Agent, either Issuing Lender or any Lender on a nonconfidential basis prior to disclosure by an Obligor. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Unless specifically prohibited by applicable law or court order, each Lender and the Administrative Agent shall, prior to disclosure thereof, notify the Borrower of any request for disclosure of any Information (A) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or (B) pursuant to legal process, and will permit the Borrower (to the extent the same would not adversely affect such Lender or the Administrative Agent) to pursue available remedies to resist such disclosure and or obtain a protective order limiting such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CANANDAIGUA BRANDS, INC.

By /s/ Thomas S. Summer

Title: Chief Financial Officer

SUBSIDIARY GUARANTORS

BATAVIA WINE CELLARS, INC.
CANANDAIGUA EUROPE LIMITED
CANANDAIGUA WINE COMPANY, INC
ROBERTS TRADING CORP.

By /s/ Thomas S. Summer

Title: Treasurer

BARTON INCORPORATED
BARTON BRANDS, LTD.
BARTON BEERS, LTD.
BARTON BRANDS OF CALIFORNIA, INC.
BARTON BRANDS OF GEORGIA, INC.
BARTON DISTILLERS IMPORT CORP.
MONARCH IMPORT COMPANY
STEVENS POINT BEVERAGE CO.
THE VIKING DISTILLERY, INC.

By /s/ Raymond E. Powers

Title: Treasurer

BARTON FINANCIAL CORPORATION

By /s/ Raymond E. Powers

Title: President

LENDERS

THE CHASE MANHATTAN BANK,
individually, as Swingline Lender
and as Administrative Agent

By /s/ Carol A. Ulmer

Title: Vice President

CREDIT SUISSE FIRST BOSTON

By /s/ Joel Glodowski

Title: Managing Director

By /s/ Daniel R. Wenger

Title: Associate

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Judith L. Mayberry

Title: Authorized Agent

FLEET BANK

By /s/ Martin K. Birmingham

Title: Vice President

THE BANK OF NOVA SCOTIA

By /s/ J. Alan Edwards

Title: Authorized Signatory

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By /s/ Jim Brown

Title: Vice President

CREDIT AGRICOLE INDOSUEZ

By /s/ W. Leroy Startz

Title: First Vice President

By /s/ Katherine L. Abbott

Title: First Vice President

CREDIT LYONNAIS, NEW YORK BRANCH

By /s/ Vladimir Labun

Title: First Vice President - Manager

MANUFACTURERS AND TRADERS TRUST
COMPANY

By /s/ Philip M. Smith

Title: Regional Senior Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A. "RABOBANK
NEDERLAND", NEW YORK BRANCH

By /s/ Angelo J. Balestrieri

Title: Vice President

By /s/ W. Pieter C. Kodde

Title: Vice President

THE SUMITOMO BANK, LIMITED

By /s/ James Drum

Title: Vice President, NY Office

By /s/ William N. Paty

Title: Vice President and Manager

US TRUST

By /s/ Thomas Z. Macina

Title: Vice President

WELLS FARGO BANK, N.A.

By /s/ Clifford Lawrence

Title: Vice President

CORESTATES BANK, NATIONAL ASSOCIATION

By /s/ Robert A. Brown

Title: Vice President

THE FUJI BANK LIMITED, NEW YORK BRANCH

By /s/ Teljl Teramoto

Title: Vice President & Manager

KEYBANK NATIONAL ASSOCIATION

By /s/ Michael Landini

Title: Vice President

THE LONG TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH

By /s/ Jun Ebihara

Title:

MELLON BANK

By /s/ Peyton R. Latimer

Title: Senior Vice President

MERITA BANK LTD

By /s/ Frank Maffei

Title: Vice President

By /s/ Clifford Abramsky

Title: Vice President

NATIONAL CITY BANK

By /s/ Lisa B. Lisi

Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION

By /s/ Thomas R. Colwell

Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yasuhiro Terada

Title: Senior Vice President

SANWA BANK LTD.

By /s/ Paul Judicke

Title: Vice President

STATE STREET BANK AND TRUST COMPANY

By /s/ Chris Del Signore

Title:

SUMITOMO TRUST & BANKING CO., LTD.,
NEW YORK BRANCH

By /s/ Suraj P. Bhatia

Title: Senior Vice President
Manager, Corporate Finance Dept.

SUNTRUST BANK, ATLANTA

By /s/ Robert V. Honeycutt

Title: Vice President

By /s/ William McEhl

Title: B.O.

TOKAI BANK LTD., NEW YORK BRANCH

By /s/ Kaoru Oda

Title: Assistant General Manager

CREDIT AGREEMENT BETWEEN THE REGISTRANT,
ITS PRINCIPAL OPERATING SUBSIDIARIES, AND CERTAIN BANKS FOR WHICH
THE CHASE MANHATTAN BANK ACTS AS ADMINISTRATIVE AGENT

LIST OF OMITTED SCHEDULES AND EXHIBITS

SCHEDULE I	- Commitments
SCHEDULE II	- Material Agreements and Liens
SCHEDULE III	- Litigation and Environmental Matters
SCHEDULE IV	- Subsidiaries and Investments
SCHEDULE V	- Stock Options
SCHEDULE VI	- Real Property
SCHEDULE VII	- Life Insurance Agreements
EXHIBIT A	- Form of Assignment and Acceptance
EXHIBIT B	- Form of Security Agreement
EXHIBIT C	- Form of Guarantee Assumption Agreement
EXHIBIT D-1	- Form of Opinion of Special Counsel to Obligors
EXHIBIT D-2	- Form of Opinion of California Counsel to Obligors
EXHIBIT D-3	- Form of Opinion of Kentucky Counsel to Obligors
EXHIBIT E	- Form of Opinion of Special New York Counsel to The Chase Manhattan Bank

EXHIBIT 10.14

AMENDMENT NUMBER ONE
TO THE
CANANDAIGUA WINE COMPANY, INC.
ANNUAL MANAGEMENT INCENTIVE PLAN

This Amendment Number One to the Canandaigua Wine Company, Inc. Annual Management Incentive Plan (the "Plan") was approved pursuant to Section 8 of the Plan by the Human Resources Committee of the Board of Directors of Canandaigua Brands, Inc. (f/k/a Canandaigua Wine Company, Inc.) (the "Company"), acting in its capacity as the Committee under the Plan. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan and Annex A thereto.

1. NAME. The name of the Plan is hereby changed to "Canandaigua Brands, Inc. Annual Management Incentive Plan."

2. DEFINITION OF COMPANY. The definition of the term "Company" as used in the Plan and defined in Annex A to the Plan is hereby amended and restated to read in its entirety as follows:

"Company" means Canandaigua Brands, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

In witness whereof, Canandaigua Brands, Inc. has caused this instrument to be executed as of March 31, 1998

CANANDAIGUA BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, President

EXHIBIT 10.14

AMENDMENT NUMBER ONE
TO THE
CANANDAIGUA WINE COMPANY, INC.
ANNUAL MANAGEMENT INCENTIVE PLAN

This Amendment Number One to the Canandaigua Wine Company, Inc. Annual Management Incentive Plan (the "Plan") was approved pursuant to Section 8 of the Plan by the Human Resources Committee of the Board of Directors of Canandaigua Brands, Inc. (f/k/a Canandaigua Wine Company, Inc.) (the "Company"), acting in its capacity as the Committee under the Plan. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan and Annex A thereto.

1. NAME. The name of the Plan is hereby changed to "Canandaigua Brands, Inc. Annual Management Incentive Plan."

2. DEFINITION OF COMPANY. The definition of the term "Company" as used in the Plan and defined in Annex A to the Plan is hereby amended and restated to read in its entirety as follows:

"Company" means Canandaigua Brands, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

In witness whereof, Canandaigua Brands, Inc. has caused this instrument to be executed as of March 31, 1998

CANANDAIGUA BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, President

<TABLE>

EXHIBIT 11.1

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share data)

<CAPTION>

Ended	For the Years Ended February 28,				For the Six Months Ended				For the Year
	1998		1997		February 29, 1996		February 28, 1995		August 1995
Earnings per common share:	Basic	Diluted	Basic	Diluted	Basic	Diluted	(unaudited) Basic Diluted		Basic
Diluted	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income applicable to common shares \$41,020	\$50,071	\$50,071	\$27,675	\$27,675	\$ 3,322	\$ 3,322	\$20,320	\$20,320	\$41,020
Adjustments	--	--	--	--	--	--	--	--	--
Income applicable to common shares \$41,020	\$50,071	\$50,071	\$27,675	\$27,675	\$ 3,322	\$ 3,322	\$20,320	\$20,320	\$41,020
Shares:									
Weighted average common shares outstanding 18,776	18,672	18,672	19,333	19,333	19,611	19,611	17,989	17,989	18,776
Adjustments:									
(1) Assumed exercise of incentive stock options 155	--	423	--	179	--	129	--	152	--
(2) Assumed exercise of options/employee stock purchases 74	--	10	--	9	--	67	--	38	--
Weighted average common shares outstanding 19,005	18,672	19,105	19,333	19,521	19,611	19,807	17,989	18,179	18,776
Earnings per common share 2.16	\$ 2.68	\$ 2.62	\$ 1.43	\$ 1.42	\$ 0.17	\$ 0.17	\$ 1.13	\$ 1.12	\$ 2.18

</TABLE>

EXHIBIT 21.1

SUBSIDIARIES OF CANANDAIGUA BRANDS, INC.

STATE OF INCORPORATION	SUBSIDIARY
New York	Batavia Wine Cellars, Inc.
New York	Canandaigua Wine Company, Inc.
New York	Canandaigua Europe Limited
New York	Roberts Trading Corp.
Delaware	Barton Incorporated
Delaware	Barton Brands, Ltd.
Maryland	Barton Beers, Ltd.
Connecticut	Barton Brands of California, Inc.
Georgia	Barton Brands of Georgia, Inc.
New York	Barton Distillers Import Corp.
Delaware	Barton Financial Corporation
Wisconsin	Stevens Point Beverage Co.
Illinois	Monarch Import Company
Georgia	The Viking Distillery, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 file numbers 33-26694 and 33-56557 and Form S-3 file number 333-40571.

Rochester, New York,
May 29, 1998

/s/ Arthur Andersen LLP

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EXHIBIT 27.10: RESTATED FINANCIAL DATA SCHEDULE

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EXHIBIT 27.10: RESTATED FINANCIAL DATA SCHEDULE

This schedule contains summary financial information extracted from the Company's August 31, 1995 Form 10-K and is qualified in its entirety by reference to such financial statements.

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EXHIBIT 27.10: RESTATED FINANCIAL DATA SCHEDULE

This schedule contains summary financial information extracted from the Company's August 31, 1995 Form 10-K and is qualified in its entirety by reference to such financial statements.

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CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE OF THE PLAN. The purpose of the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan") is to provide employees of Canandaigua Wine Company, Inc. (the "Company") and its subsidiaries with an advantageous method of purchasing shares of the Class A Common Stock of the Company (the "Class A Stock") and thus to provide a means for employees to share in the future success of the Company. The proceeds from the Plan will provide additional capital for the Company which will be used for general corporate purposes. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Plan is to be construed accordingly.

2. ADMINISTRATION. The Plan shall be administered by the Compensation Committee (the "Committee") consisting of not less than three members who shall be appointed by, and shall serve at the pleasure of, the Board of Directors of the Company. Each member of the Committee must be a director of the Company and shall not be eligible to participate in the Plan. Subject to express provisions of the Plan and to such instructions and limitations as the Board of Directors may establish from time to time, the Committee shall have the authority to prescribe, amend and rescind rules and regulations relating to the Plan. The Committee may interpret the Plan and may correct any defect or supply any omission or reconcile any inconsistency in the Plan to the extent necessary for the effective operation of the Plan. Any action taken by the Committee on the matters referred to in this paragraph shall be conclusive.

3. EFFECTIVE DATE OF THE PLAN. The Plan shall become effective on January 20, 1989.

4. SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided in Paragraph 18 herein, not more than 500,000 shares of Class A Stock shall be offered under the Plan. The shares of Class A Stock subject to the Plan may be authorized and unissued shares of Class A Stock, previously issued shares of Class A Stock acquired by the Company and held as Treasury shares or shares purchased in the open market.

5. OFFERINGS UNDER THE PLAN. After the Plan has become effective, one or more "Offerings," as determined by the Committee, may be made to eligible employees to purchase shares of the Class A Stock subject to the Plan. The Offerings may be consecutive or concurrent as determined by the Committee. With respect to each Offering, the Committee shall specify an Offering Period and the maximum number of shares of Class A Stock that may be purchased under that Offering. The Offering Period may not exceed twelve (12) months. Shares of Class A Stock not sold under one Offering may be offered again in any other Offering.

The Committee shall specify the "Effective Date" of each Offering under the Plan and each Offering shall be made to all employees who are eligible to participate as of the Effective Date of such Offering. Subject to Paragraph 7 hereof, all such eligible employees shall be granted the same rights and privileges under each such Offering.

6. ELIGIBILITY. Any employee of the Company or any subsidiary of the Company who, on the Effective Date of that Offering under the Plan, is customarily employed for more than seventeen and one-half (17 1/2) hours per week and for more than five (5) months per year may participate in that Offering; PROVIDED, that (1) the employee does not own stock possessing 5% or more of the combined voting power or value of all classes of stock of the Company, as defined for purposes of Section 423(b)(3) of the Code, and (2) the employee is not a member of the Committee.

7. PARTICIPATION IN OFFERINGS. Except as may be otherwise provided for herein, each employee who is eligible for and elects to participate in an Offering shall be granted a subscription right, as of the

Effective Date of that Offering, for as many full shares of Common Stock as he may elect to purchase during the Offering Period applicable to that Offering, to be paid by payroll deductions during such period; provided, however, that the minimum deductions of an employee shall not be less than Two Dollars (\$2.00) per week or Four Dollars (\$4.00) every two weeks, depending on the employee's pay cycle, and the maximum deductions shall not exceed 10% of an employee's gross weekly (or bi-weekly) pay, excluding overtime, bonuses or special pay. In no event shall any employee be granted a subscription right under the Plan (1) which would permit him to purchase stock under all employee stock purchase plans of the Company and of its subsidiaries in any calendar year with a fair market value (determined as of the date such right is granted) of Twenty-five Thousand Dollars (\$25,000.00) or more or (2) if, immediately after such right is granted, such employee would own, and/or hold outstanding options or rights to purchase, stock of the Company or of any subsidiary of the Company possessing five percent

(5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries. In order to participate in the Offering, the eligible employee must complete and forward a Payroll Deduction Authorization form to the appropriate payroll location on or before the date specified by the Committee for that particular Offering. This form will authorize a regular payroll deduction from that employee's compensation beginning on the date specified by the Committee for that particular Offering and continuing for the duration of the Offering Period applicable to that Offering. Payroll deductions may not be retroactive.

8. PAYROLL DEDUCTIONS. The Company or any designated subsidiary will maintain a separate payroll deduction account for each employee participating in an Offering. With respect to each Offering under the Plan, an eligible employee may authorize a payroll deduction of not less than Two Dollars (\$2.00) per week or Four Dollars (\$4.00) every two weeks, depending on the employee's pay cycle, and not more than 10% of the eligible employee's gross weekly (or bi-weekly) pay, excluding overtime, bonuses or special pay. Participating employees may not change the amount of their payroll deductions during an Offering Period with respect to that Offering.

9. NO INTEREST ON ACCOUNTS. The payroll deduction accounts of participating employees shall not bear interest.

10. WITHDRAWAL OF FUNDS. Any employee may at any time and for any reason permanently draw out the balance in his payroll deduction account which has not been applied toward the exercise of his subscription right, and thereby withdraw from participation in the Offering under which such right was granted. He may not thereafter participate in that Offering but shall, if he is otherwise eligible, be permitted to participate in any other Offering under the Plan. Partial withdrawals will not be permitted.

11. PURCHASE PRICE AND EXERCISE OF SUBSCRIPTION RIGHT. The purchase price for a share of Class A Stock under each Offering shall be the lower of:

(a) Eighty-five percent (85%) of the fair market value of a share of Class A Stock on the Effective Date of that Offering; or

(b) Eighty-five percent (85%) of the fair market value of a share of Class A Stock on the last day of the Offering Period applicable to that Offering.

The fair market value of a share of Class A Stock on any date shall be the closing price of shares of Class A Stock on the American Stock Exchange on that date (or on any other national stock exchange on such date if shares did not trade on the American Stock Exchange on such date) or, if no such sales of Class A Stock are made on such date, on the next preceding date on which sales of Class A Stock were made on the American Stock Exchange or on any other national stock exchange.

As of the last day of each Offering Period, each employee participating in the Offering to which that Offering Period is applicable shall be deemed to have exercised his subscription right to purchase shares of Class A Stock. The account of each employee who exercises a subscription right hereunder shall be charged for the amount of such purchase and a stock certificate shall be issued to him as of the

Page 3

last day of the applicable Offering Period. Fractional shares of Class A Stock shall not be issued under the Plan.

Any balance remaining in the payroll deduction account of an employee at the end of an Offering Period shall be refunded to him.

12. REGISTRATION OF CERTIFICATES. Shares of Class A Stock will be registered, and certificates therefor will be issued, only in the name of the employee, or, if he so indicates on his Payroll Deduction Authorization form, in his name jointly with one other person, with right of survivorship.

13. RIGHTS AS STOCKHOLDERS. None of the rights or privileges of a stockholder of the Company shall exist with respect to shares of Class A Stock purchased under this Plan until the date as of which certificates representing such shares are issued.

14. USE OF PLAN FUNDS. Subject to Paragraph 10 hereof, all amounts received or held by the Company or by any designated subsidiary under this Plan may be used for any corporate purpose of the Company or such subsidiary.

15. RIGHTS ON RETIREMENT, DEATH OR TERMINATION OF EMPLOYMENT. In the event that an employee participating in an Offering retires or dies prior to the last day of the Offering Period applicable to that Offering, no further payroll deductions shall be taken from any compensation due and owing to him at such time. If such termination of employment occurs within three months of the last day of the Offering Period, such employee, or, in the event of his death, the person or persons to whom his subscription right passes by will or by the laws

of descent and distribution (including his estate during the period of administration), may request in writing prior to the last day of such Offering Period that such amounts be applied as of the last day of such Offering Period in the manner set forth in Paragraph 11 hereof, as if the retirement or death of such employee had not occurred. If no such election to purchase shares pursuant to the Offering is made, the employee's accumulated payroll deductions will be refunded in cash, without interest. If an employee dies or retires before three months prior to the last day of the Offering Period, all future participation in the Offering shall cease and all accumulated payroll deductions in such employee's account shall be refunded.

If the employment of an employee participating in an Offering is terminated for any reason other than retirement or death, such employee shall be entitled only to a refund of the amount in his payroll deduction account and shall have no further rights under the Plan.

16. NONTRANSFERABILITY OF RIGHTS. Subscription rights granted to an employee under this Plan are not transferable by such employee other than by will or the laws of descent and distribution and are exercisable during his lifetime only by him.

17. GOVERNMENT REGULATIONS. The Company's obligation to issue, sell or deliver any shares of Class A Stock under this Plan is subject to all applicable laws and regulations and to the approval of any governmental or regulatory authority required in connection with the issuance, sale or delivery of such shares. The Company shall not be required to issue, sell or deliver any shares of Class A Stock under this Plan prior to (a) the approval of such shares for listing on the American Stock Exchange or any other national stock exchange, and (b) the completion and effectiveness of any registration or other qualification of such shares under any state or federal law or any ruling or regulation of any governmental or regulatory authority which the Company in its sole discretion shall determine to be necessary or advisable.

18. ADJUSTMENT OF SHARES UPON CHANGES IN CAPITALIZATION. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Class A Stock, by reason of a dividend payable in Class A Stock, recapitalization, merger, consolidation, split-up, combination or exchange of shares, or the like, appropriate adjustments shall be made to the aggregate number and class of shares subject to the Plan, the number and class of shares subject to outstanding subscription rights, the purchase price per share (in the case of shares subject to outstanding subscription rights),

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and the number and class of shares which may be subscribed to by any one employee, and such other adjustments shall be made as may be deemed equitable by the Committee.

19. PROPORTIONATE DISTRIBUTION. If the employees participating in an Offering subscribe for more than the total number of shares of the Class A Stock specified by the Committee for that Offering, the amount of such shares subject to each such subscription shall be proportionately reduced to such whole number of shares as may be determined by the Committee, so that the aggregate of such shares subject to all such subscriptions does not exceed the specified number of shares for that Offering.

20. AMENDMENT OF THE PLAN. To the extent permitted by law, the Board of Directors may at any time and from time to time make such changes in the Plan and additions to it as it deems advisable; provided, however, that, except as provided in Paragraphs 18 and 19 hereof, and except with respect to changes or additions in order to make the Plan comply with Section 423 of the Code, the Board may not make any changes or additions which would adversely affect subscription rights previously granted under the Plan and may not, without the approval of the stockholders of the Company, make any changes or additions which would (a) increase the aggregate number of shares of Class A Stock subject to the Plan or which may be subscribed to by an employee, (b) decrease the minimum purchase price for a share of Class A Stock, or (c) change any of the provisions of the Plan relating to eligibility for participation in Offerings.

21. DURATION AND TERMINATION OF THE PLAN. The Plan shall terminate upon the earlier of:

(a) The purchase by employees of all the shares of Class A Stock subject to the Plan; or

(b) The termination of the Plan by the Board of Directors of the Company, in its sole discretion.

No termination shall affect subscription rights previously granted under the Plan. Upon termination of the Plan for any reason, and the exercise or lapse of all subscription rights previously granted under the Plan, all amounts remaining in the payroll deduction accounts of participating employees shall be refunded.

22. GENERAL.

(a) All costs and expenses incurred in the administration of the Plan shall be paid by the Company.

(b) Neither the action of the Company in establishing the Plan, nor any action taken under the Plan by the Board or the Committee, nor any provision of the Plan itself shall be construed so as to grant any person the right to remain in the employ of the Company or any of its subsidiaries for any period or specific duration, and such person's employment may be terminated at any time, with or without cause.

(c) The provisions of the Plan shall be governed by the laws of the State of New York.

AMENDMENT NO. 1
TO THE
CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

Pursuant to Paragraph 20 of the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan"), the Board of Directors hereby amends the Plan, effective upon the date hereof, in the following respects:

Paragraph 4 of the Plan is amended and restated in its entirety as follows:

4. SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided in Paragraph 18 herein, not more than 1,125,000 shares of Class A Stock shall be offered under the Plan. The shares of Class A Stock subject to the Plan may be authorized and unissued shares of Class A Stock, previously issued shares of Class A Stock acquired by the Company and held as Treasury shares or shares purchased in the open market.

Paragraph 11 of the Plan is amended and restated in its entirety as follows:

11. PURCHASE PRICE AND EXERCISE OF SUBSCRIPTION RIGHT. The purchase price for a share of Class A Stock under each Offering shall be the lower of:

(a) Eighty-five percent (85%) of the fair market value of a share of Class A Stock on the Effective Date of that Offering; or

(b) Eighty-five percent (85%) of the fair market value of a share of Class A Stock on the last day of the Offering Period applicable to that Offering.

If on the date of valuation the Class A Stock is then listed or admitted to trading on any national securities exchange, the fair market value of a share of Class A Stock shall be the closing price on that date of shares of Class A Stock on the principal national securities exchange on which the Class A Stock is then listed or admitted to trading, or if no such sales of Class A Stock are made on such date, on the next preceding date on which sales of Class A Stock were made on such exchange. The closing price shall be the last reported sale price as reported by such exchange. If on the date of valuation the Class A Stock is not then so listed on a national securities exchange, and if the Class A Stock closing price (the last reported sales price) is then reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the fair market value of a share of Class A Stock shall be the closing price (the last reported sale price) on that date in the over-the-counter market as reported by NASDAQ, or if no such sales of Class A Stock are

Page 2

made on such date, on the next preceding date on which sales of Class A Stock were made in such over-the-counter market as reported by NASDAQ.

As of the last day of each Offering Period, each employee participating in the Offering to which that Offering Period is applicable shall be deemed to have exercised his subscription right to purchase shares of Class A Stock. The account of each employee who exercises a subscription right hereunder shall be charged for the amount of such purchase and a stock certificate shall be issued to him as of the last day of the applicable Offering Period. Fractional shares of Class A Stock shall not be issued under the Plan.

Any balance remaining in the payroll deduction account of an employee at the end of an Offering Period shall be refunded to him.

Paragraph 17 of the Plan is amended and restated in its entirety as follows:

17. GOVERNMENT REGULATIONS. The Company's obligation to issue, sell or deliver any shares of Class A Stock under this Plan is subject to all applicable laws and regulations and to the approval of any governmental or regulatory

authority required in connection with the issuance, sale or delivery of such shares. The Company shall not be required to issue, sell or deliver any shares of Class A Stock under this Plan prior to (a) the approval of such shares for listing on the American Stock Exchange, or any other national stock exchange, or with the over-the-counter market, as applicable, and (b) the completion and effectiveness of any registration or other qualification of such shares under any state or federal law or any ruling or regulation of any governmental or regulatory authority which the Company in its sole discretion shall determine to be necessary or advisable.

IN WITNESS WHEREOF, Canandaigua Wine Company, Inc. has caused this instrument to be executed on June 15, 1992.

CANANDAIGUA WINE COMPANY, INC.

By: /s/ Robert S. Sands

Robert S. Sands
Title: Vice President

AMENDMENT NO. 2
TO THE
CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

Pursuant to Paragraph 20 of the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan"), the Board of Directors hereby amends the Plan, effective upon the date hereof, in the following respect:

Paragraph 7 of the Plan is hereby amended and restated in its entirety as follows:

7. PARTICIPATION IN OFFERINGS. Except as may be otherwise provided herein, each employee who is eligible for and elects to participate in an Offering shall be granted a subscription right, as of the Effective Date of that Offering, for as many full shares of Common Stock as he may elect to purchase during the Offering Period applicable to that Offering, to be paid by payroll deductions during such period; provided, however, that the minimum deductions of an employee shall not be less than Two Dollars (\$2.00) per week or Four Dollars (\$4.00) every two weeks, depending on the employee's pay cycle, and the maximum deductions shall not exceed 10% of any employee's gross weekly (or bi-weekly) pay, excluding overtime, bonuses or special pay. In no event shall any employee be granted a subscription right under the Plan (1) which would permit him to purchase stock under all employee stock purchase plans of the Company and of its subsidiaries in any calendar year with a fair market value (determined as of the date such right is granted) of Twenty-Five Thousand Dollars (\$25,000.00) or more, or (2) if, immediately after such right is granted, such employee would own, and/or hold outstanding options or rights to purchase, stock of the Company or of any subsidiary of the Company possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries. In order to participate in an Offering, the eligible employee must complete and forward a Payroll Deduction Authorization form to the appropriate payroll location on or before the date specified by the Committee for that particular offering. This form will authorize a regular payroll deduction from that employee's compensation beginning on the date specified by the Committee for that particular Offering and continuing for the duration of the Offering Period applicable to that Offering. Payroll deductions generally may not be retroactive. However, if during the Thirty (30) day period immediately preceding the Effective Date of an Offering, the Company engages in a transaction which has the effect of increasing the number of employees eligible to participate in that Offering, and the Company deems it necessary to allow employees to submit Payroll Deduction Authorization forms after the Effective Date of that Offering,

Page 2

retroactive payroll deductions may be made to reflect any elections to participate in the Offering which occur after the Effective Date. If such retroactive payroll deductions are made, the amount deducted from each employee's pay during such period of retroactivity may exceed ten percent (10%) of that employee's gross pay.

IN WITNESS WHEREOF, Canandaigua Wine Company, Inc. has caused this instrument to be executed on June 24, 1993.

CANANDAIGUA WINE COMPANY, INC.

/s/ Richard Sands

Richard Sands, President

AMENDMENT NO. 3
TO THE
CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

Pursuant to Paragraph 20 of the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan"), the Board of Directors hereby amends the Plan, effective upon the date hereof, as set forth below:

Paragraph 2 of the Plan is hereby amended and restated in its entirety as follows:

2. ADMINISTRATION. The Plan shall be administered by the Compensation Committee (the "Committee") consisting of not less than two members who shall be appointed by, and shall serve at the pleasure of, the Board of Directors of the Company. Each member of the Committee must be a director of the Company who has not, for one year prior to service on the Committee or during such service, participated in the Plan or been granted or awarded any equity securities pursuant to any other plan of the Company. Subject to the express provisions of the Plan and to such instructions and limitations as the Board of Directors may establish from time to time, the Committee shall have the authority to prescribe, amend, and rescind rules and regulations relating to the Plan. The Committee may interpret the Plan and may correct any defect or supply any omission or reconcile any inconsistency in the Plan to the extent necessary for the effective operation of the Plan. Any action taken by the Committee on the matters referred to in this paragraph shall be conclusive.

IN WITNESS WHEREOF, Canandaigua Wine Company, Inc. has caused the instrument to be executed on February 10, 1994.

CANANDAIGUA WINE COMPANY, INC.

By: /s/ Richard Sands

Richard Sands

Its: President

AMENDMENT NO. 4
TO THE
CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

Pursuant to Paragraph 20 of the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan"), the Board of Directors hereby amends the Plan, effective upon the date hereof, as set forth below.

1. The third paragraph of Paragraph 11 is hereby amended to read as follows:

As of the last day of each Offering Period, each employee participating in the Offering to which that Offering Period is applicable shall be deemed to have exercised his subscription right to purchase shares of Class A Stock. The payroll deduction account of each employee who exercises a subscription right hereunder shall be charged for the amount of such purchase and shares shall be issued to the employee as of the last day of the applicable Offering Period. Such shares may be uncertificated and held by the Custodian in accordance with Paragraph 23 hereof. Fractional shares of Class A Stock shall not be issued under the Plan.

2. Paragraph 12 is hereby amended to read as follows:

12. REGISTRATION OF SHARES. Shares of Class A Stock will be registered only in the name of the employee, or, if he so indicates on his Payroll Deduction Authorization form, in his name jointly with one other person, with right of survivorship.

3. Paragraph 13 is hereby amended to read as follows:

13. RIGHTS AS STOCKHOLDERS. None of the rights or privileges of a stockholder of the Company shall exist with respect to shares of Class A Stock purchased under this Plan until the date as of which such shares are issued.

4. A new Paragraph 23 is hereby added to the Plan to read as follows:

23. INVESTMENT ACCOUNT. Notwithstanding any other provision of the Plan to the contrary, the Board of Directors, in its sole discretion, may appoint a custodian to hold the Class A Stock purchased under the Plan (the "Custodian"). The Custodian shall maintain a separate account for each employee who participates in an Offering (the "Investment Account"). Each Investment Account shall be in the name of the employee or, if he so indicates on his Payroll Deduction Authorization form, in his name jointly with one other person, with right of survivorship.

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An employee shall have the right at any time to obtain a certificate for the shares of Class A Stock credited to his Investment Account, or to direct that any shares in his Investment Account be sold and the proceeds be remitted to him.

When an employee ceases to be eligible to participate in the Plan, a certificate for the shares of Class A Stock credited to his Investment Account shall be forwarded to him, unless he elects to have such shares sold by the Custodian and the proceeds remitted to him.

Expenses incurred in the purchase and sale of shares and all expenses of the Custodian shall be paid by the Company.

IN WITNESS WHEREOF, Canandaigua Wine Company, Inc. has caused this instrument to be executed on May 10, 1995.

CANANDAIGUA WINE COMPANY, INC.

/s/ Richard Sands

Richard Sands, President

AMENDMENT NUMBER 5
TO THE
CANANDAIGUA WINE COMPANY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN

This Amendment Number 5 to the Canandaigua Wine Company, Inc. 1989 Employee Stock Purchase Plan (the "Plan") was approved pursuant to Paragraph 20 of the Plan by the Board of Directors of Canandaigua Brands, Inc. (f/k/a Canandaigua Wine Company, Inc., the "Company"). Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan.

1. NAME. The name of the Plan is hereby changed to "Canandaigua Brands, Inc. 1989 Employee Stock Purchase Plan," and all references in the Plan to "Canandaigua Wine Company, Inc." are hereby replaced by references to "Canandaigua Brands, Inc."

2. DEFINITION OF COMMITTEE. Paragraph 2 of the Plan, dealing with the administration of the Plan and previously amended by Amendment No. 3 to the Plan, is hereby amended and restated to read in its entirety as follows:

2. ADMINISTRATION. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company as it may be constituted from time to time (the "Committee"). Subject to the express provisions of the Plan and to such instructions and limitations as the Board of Directors may establish from time to time, the Committee shall have the authority to prescribe, amend and rescind rules and regulations relating to the Plan. The Committee may interpret the Plan and may correct any defect or supply any omission or reconcile any inconsistency in the Plan to the extent necessary for the effective operation of the Plan. Any action taken by the Committee on the matters referred to in this paragraph shall be conclusive.

In witness whereof, Canandaigua Brands, Inc. has caused this instrument to be executed as of November 26, 1997.

CANANDAIGUA BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, President

