FORM T-3

Initial application for qualification of trust indentures

Filing Date: **1994-03-01**
SEC Accession No. 0000950109-94-000339

FILER

ALCO HEALTH SERVICES CORP

CIK:**731269**| IRS No.: **232353106** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **T-3** | Act: **39** | File No.: **022-22179** | Film No.: **94514005**
SIC: **5122** Drugs, proprietaries & druggists' sundries

Mailing Address
P.O. BOX 959
VALLEY FORGE PA 19482

Business Address
P O BOX 959
VALLEY FORGE PA 19482
2152964480

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

FORM T-3

FOR APPLICATION FOR QUALIFICATION OF INDENTURES
UNDER THE TRUST INDENTURE ACT OF 1939

Alco Health Services Corporation
(Name of applicant)

300 Chester Field Parkway
Malvern, PA 19355
(Address of principal executive offices)

Securities to Be Issued Under the Indenture to Be Qualified

Title of Class	Amount
14 1/2% Senior Subordinated Notes Due 1999, Series A	$161,134,000

Approximate date of proposed exchange: As soon as practicable after the effective date of this Application.

Name of Address of agent for service:

Alco Health Services Corporation
300 Chester Field Parkway
Malvern, PA 19355
Attention: Teresa Ciccotelli, Vice President

Copy to:

Dechert Price & Rhoads
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Attention: Craig L. Godshall, Esquire

GENERAL

1. General information. Furnish the following information as to the applicant.

A. Form of organization:

Alco Health Services Corporation (the "Company") is a corporation.

B. State or other sovereign power under the laws of which organized:

The Company is organized under the laws of the State of Delaware.

2. Securities Act exemption applicable. State briefly the facts relied upon by the applicant as a basis for the claim that registration of the indenture securities under the Securities Act of 1933, as amended (the "Securities Act"), is not required.

Registration of the indenture securities under the Securities Act is not required pursuant to Section 3(a)(9) of the Securities Act on the basis that the Company's 14 1/2% Senior Subordinated Notes Due 1999, Series A (the "New Notes") are being exchanged by the issuer with its existing-security holders, specifically, the holders of the Company's 14 1/2% Senior Subordinated Notes Due 1999 (the "Existing Notes"). No commission or other remuneration is being paid or given directly or indirectly for soliciting such exchange.

There have not been nor will there be any sales of New Notes by the Company or by or through an underwriter at or about the same time as the exchange. BT Securities Corporation has been retained by the Company to act as the Company's financial advisor with respect to the exchange. Bankers Trust Company has been retained as Depositary for the exchange by the Company. Kissel-Blake Inc. has been retained by the Company to act as Information Agent for the exchange.

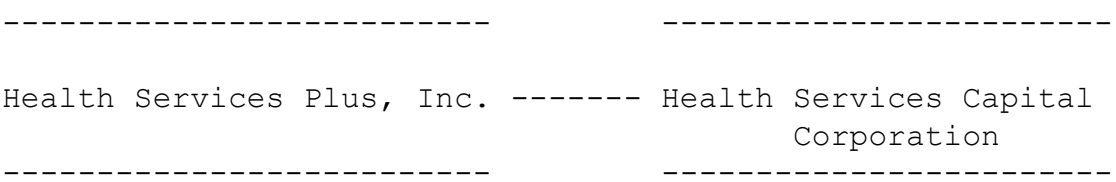
Holders of Existing Notes are being offered $1,000 principal amount of New Notes plus $2.50 cash in exchange for each $1,000 principal amount of Existing Notes.

AFFILIATIONS

3. Affiliates. Furnish a list or diagram of all affiliates of the applicant and indicate the respective percentages of voting securities or other bases of control.

A. Applicant's Controlled Affiliates:

Alco Health Distribution Corporation



B. Percentage of Voting Securities Owned by Company:

Health Services Plus, Inc.	100%
Health Services Capital Corporation	100%

MANAGEMENT AND CONTROL

4. Directors and executive officers. List the names and complete mailing addresses of all directors and executive officers of the applicant and all persons chosen to become directors or executive officers. Indicate all offices with the applicant held or to be held by each person named.

<TABLE>
<CAPTION>

Name	Mailing Address	Office
<S>	<C>	<C>
John F. McNamara	R.R. #6, Bodine Road Malvern, PA 19355	Chairman of the Board, President and Chief Executive Officer
Teresa Ciccotelli	146 Morris Road Ambler, PA 19002	Vice President, Legal Counsel and Secretary
David M. Flowers	44 Rockcrest Signal Mountain, TN 37377	Group President - Eastern Region
Robert D. Gregory	201 Shoreline Drive Berwyn, PA 19312	Vice President, Human Resources and Secretary
Kurt J. Hilzinger	807 Maple Glen Lane Wayne, PA 19087	Vice President, Finance and Treasurer

</TABLE>

<TABLE>
<S> <C> <C>

John A. Kurcik	900 Babb Circle Wayne, PA 19087	Vice President, Controller and Assistant Treasurer
Robert E. McHugh	41 Ramport Drive Wayne, PA 19087	Vice President, Marketing
R. David Yost	165 N. Stanbery Ave. Columbus, OH 43209	Group President - Central Region
Bruce C. Bruckmann	125 E. 84th St.,#5A New York, NY 10028	Director
Harold O. Rosser	176 Marshall Ridge Rd. New Canaan, CT 06840	Director
Barton J. Winokur	334 Fishers Road Bryn Mawr, PA 19010	Director

</TABLE>

5. Principal owners of voting securities. Furnish the following information as to each person owning of record, or to the knowledge of applicant, owning beneficially, 10% or more of the voting securities of the applicant.

As of February 28, 1994

<TABLE>
<CAPTION>

Name and Mailing Address	Title of Class Owned	Amount Owned	Percentage of Class of Voting Securities Owned
<S>	<C>	<C>	<C>
Alco Health Distribution Corporation 300 Chester Field Parkway, Malvern, PA 19355	Common Stock, par value $.01, per share ("Common Stock")	1,000 shares	100.0%

</TABLE>

6. Underwriters. Give the name and complete mailing address of (a) each person who, within three years prior to the date of filing the application, acted as an underwriter of any securities of the obligor which were outstanding on the date of filing the application, and (b) each proposed principal underwriter of the securities proposed to be offered. As to each person specified in (a), give the title of each class of securities

underwritten.

A. No person has acted as an underwriter of the Applicant's securities within the three years prior to the date of filing of this application.

B. No person will act as underwriter of the New Notes to be issued.

7. Capitalization. A. Furnish the following information as to each authorized class of securities of the applicant.

<TABLE>
<CAPTION>

As of February 28, 1994

Title of Class	Amount Authorized	Amount Outstanding
<S>	<C>	<C>
Common Stock	1,000 shares	1,000 shares
Existing Notes	$175,000,000 aggregate principal amount	$166,134,000 aggregate principal amount
New Notes	$161,134,000 aggregate principal amount	$ 0 aggregate principal amount

</TABLE>

B. Give a brief outline of the voting rights of each class of voting securities referred to in paragraph (a) above.

Each share of Common Stock of the Company is entitled to one vote. Stockholders do not have any preemptive or subscription rights.

INDENTURE SECURITIES

8. Analysis of indenture provisions. Insert at this point the analysis of indenture provisions required under Section 305(a)(2) of the Trust Indenture Act of 1939.

All references to the Indenture herein shall refer to that certain indenture (the "Indenture") between the Company and Bankers Trust Company, as trustee (the "Trustee"), pursuant to which the New Notes will be issued. The following summary of the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to all of the provisions of the Indenture. Capitalized terms not otherwise defined below or

elsewhere herein have the meanings defined in the Indenture. A copy of the form Indenture, including the form of New Notes, is filed as an exhibit to this application.

(A) EVENTS OF DEFAULT

The Indenture defines an Event of Default as being (i) the failure by the Company to make payment of interest on the New Notes when the same becomes due and payable and the continuance of such default lasts for 30 days, (ii) the failure by the Company to make payment of principal on the New Notes when and as the same shall become due and payable, at maturity, upon any acceleration, redemption or otherwise, (iii) the failure by the

Company to perform or observe any other covenant or agreement contained in the New Notes or the Indenture and continuance of such failure for 30 days after written notice is given to the company by the Trustee or the holders of at least 25% in principal amount of the then outstanding New Notes, (iv) any acceleration of the maturity of indebtedness for money borrowed by the Company or any subsidiary due to the default in payment of principal of or premium, if any, or interest on any such indebtedness (other than the New Notes) in excess of $10,000,000 in principal amount, (v) any final money judgment or judgments not covered by insurance aggregating in excess of $10,000,000 rendered against the Company or any subsidiary, and not paid, discharged or stayed within 60 days, and (vi) the occurrence of certain events of bankruptcy, insolvency or reorganization in respect of the Company or any subsidiary (Section 6.1).

The Indenture provides that if an Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee must, within 90 days after the occurrence of such default, give to the holders of the New Notes notice of such default, provided that, except in the case of default in payment of principal or interest in respect of the New Notes, the Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the holders of the New Notes. (Section 7.5)

If an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency or reorganization) under the Indenture occurs and is continuing, and is not waived, either the Trustee or the holders of not less than 25% in aggregate principal amount of the New Notes then outstanding may declare the entire principal amount (the "Default Amount") and all accrued and unpaid interest thereon, to be immediately due and payable. In case an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization shall occur, the Default Amount, and all interest thereon, shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or the holders of the New Notes. (Section 6.2) If a bankruptcy proceeding is commenced in respect of the Company, the claim of the holders of the New Notes may be limited under Section 502(b) of the Bankruptcy Code and accordingly, the holders under such circumstances may receive a lesser amount than they would be entitled to under the express terms of the Indenture.

The holders of not less than a majority in principal amount of the New Notes are authorized to waive any default, except a default in the payment of principal of or interest on any New Notes, or a default with respect to any other covenant or provision which cannot be modified or amended without the consent of the holder of the outstanding New Note affected. (Section 6.4)

(B) AUTHENTICATION AND DELIVERY OF NEW NOTES; APPLICATION OF PROCEEDS

Each New Note shall be signed by two officers of the Company and the Company's seal shall be reproduced on each New Note. A New Note shall not be valid until authenticated by a certificate of authentication signed manually by the Trustee, such signed certificate to be conclusive evidence that the New Note has been authenticated under the Indenture. No provisions are contained in the Indenture with respect to the application of proceeds of the New Notes. (Section 2.2)

(C) RELEASE OF PROPERTY SUBJECT TO LIEN

There is no property which is subject to the lien of the Indenture; accordingly, no provisions are contained in the Indenture with respect to the release or the release and substitution of any property subject to the lien of the Indenture.

(D) SATISFACTION AND DISCHARGE

When (i) the Company delivers to the Trustee all outstanding New Notes (other than replacement New Notes) for cancellation or (ii) within six months of the date all outstanding New Notes have become due and payable or called for redemption and the Company deposits with the Trustee cash or U.S. Government Obligations sufficient to pay at stated maturity the principal amount of all outstanding New Notes (other than replacement New Notes), and if in either case pays all other sums payable under the Indenture by the Company, then the Indenture shall, subject to certain rights of the Trustee, cease to be of further effect. At the written request of two officers of the Company, the Trustee shall execute documents acknowledging satisfaction and discharge of the Company's obligations under the Indenture, except for those surviving obligations as specified in the Indenture. (Section 8.1)

(E) EVIDENCE OF COMPLIANCE WITH CONDITIONS AND COVENANTS

The Company will be required to furnish to the Trustee within 45 days after the end of each fiscal quarter and 90 days after the end of each fiscal year, an officer's certificate stating whether such officer knows of the occurrence and status of any defaults under the Indenture during such period. The Company also

will be required to furnish to the Trustee within 90 days after the end of each fiscal year, a certificate of the Company's independent accountants stating (a) that their audit included a review of the terms of the Indenture and the New Notes and (b) whether any defaults came to their attention during such audit and, if so, the nature and period of existence of such defaults. (Section 4.5)

9. Other obligors. Give the name and complete mailing address of any person, other than the applicant, who is an obligor upon the indenture securities.

There is no other person who is an obligor upon the New Notes.

Contents of application for qualification. This application for qualification comprises:

(A) Pages numbered 1 to ------, consecutively.

(B) The statement of eligibility and qualification of the trustee under the indenture to be qualified on Form T-1.

<TABLE>
<CAPTION>

Exhibit	Description	Sequentially Numbered Page/*/
<S>	<C>	<C>
T3A	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1990).	
T3B	By-laws of the Company (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1989).	
T3C	Form of Indenture to be qualified and Exhibit A thereto.	
T3D	Not Applicable.	
T3E.1	Form of Offering Circular of the Company dated February 28, 1994 ("Offering Circular").	

T3E.2	Form of transmittal letter dated February 28, 1994 to securities dealers, commercial banks, trust companies and other nominees transmitting the Offering Circular for distribution to clients.
T3E.3	Form of transmittal letter dated February 28, 1994 to clients of securities dealers, commercial banks, trust companies and other nominees transmitting the Offering Circular.
T3E.4	Form of transmittal letter from holders of Existing Notes to the Company

T3E.4	regarding action taken with respect to Exchange Offer.	
T3E.5	Form of Notice of Guaranteed Delivery for Exchange Offer.	
T3F	See the cross-reference contained in the Indenture filed herewith as Exhibit T3C.	

* This information appears only in the manually signed copy of this Application filed with the Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Applicant, Alco Health Services Corporation, a corporation organized and existing under the laws of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the Town of Malvern, Commonwealth of Pennsylvania, on the 1st day of March, 1994.

ALCO HEALTH SERVICES CORPORATION

By: /s/ Kurt J. Hilzinger

Name: Kurt J. Hilzinger
Title: Vice President, Finance and Treasurer

Attest:

By: /s/ Teresa T. Ciccotelli

Name: Teresa T. Ciccotelli
Title: Secretary

- ----------

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

FORM T-1

STATEMENT OF ELIGIBILITY UNDER
THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY
OF A TRUSTEE PURSUANT TO SECTION 305 (b)(2)____

BANKERS TRUST COMPANY
(Exact name of trustee as specified in its charter)

NEW YORK (Jurisdiction of incorporation if not a U.S. national bank)	13-4941247 (I.R.S. Employer Identification no.)
Four Albany Street New York, New York (Address of principal executive offices)	10006 (Zip Code)

ALCO HEALTH SERVICES CORPORATION
(Exact name of obligor as specified in the charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	23-2353106 (I.R.S. Employer Identification no.)
300 Chester Field Parkway Malvern, Pennsylvania (Address of principal executive offices)	19355 (Zip Code)

---

14 1/2% SENIOR SUBORDINATED NOTES DUE 1999, SERIES A

(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee.

(a) Name and address of each examining or supervising authority to which it is subject.

NAME	ADDRESS
Federal Reserve Bank(2nd District)	New York, N.Y.
Federal Deposit Insurance Corporation	Washington, D.C.
New York State Banking Department	Albany, N.Y.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the Trustee, describe each such affiliation.

None.

ITEM 16. LIST OF EXHIBITS.

EXHIBIT 1- Restated Organization Certificate of Bankers Trust Company dated August 7, 1990 and Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated June 23, 1992--Incorporated herein by reference to Exhibit 1 filed with Form T-1 Statement, Registration No. 33-48267.

EXHIBIT 2- Certificate of Authority to commence business--Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.

EXHIBIT 3- Authorization of the Trustee to exercise corporate trust powers--Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.

EXHIBIT 4- Existing By-Laws of Bankers Trust Company, dated as amended on January 21, 1992.--Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 33-48267.

Exhibit 5 - Not Applicable.

Exhibit 6 - Consent of Bankers Trust Company required by Section 321(b) of the Act. - Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 22-18864.

Exhibit 7 - A copy of the latest report of condition of Bankers Trust Company dated as of September 30, 1993, attached herewith.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 28th day of February, 1994.

BANKERS TRUST COMPANY

By /s/ Rossana E. Abueva

Rossana E. Abueva
Assistant Treasurer

<TABLE>
<CAPTION>

Legal Title of Bank: Bankers Trust Company | Call Dates: 9/30/93 ST-BK: 36-4840 FFIEC 031
Adress: 130 Liberty Street | Page RC-1
City, State, Zip: New York, NY 10006
FDIC Certificate No.: |0|0|6|2|31

Consolidated Report of Condition for Insured Commercial
and State-Chartered Savings Banks for September 30, 1993

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC--Balance Sheet

				C400 *	
	Dollar Amounts in Thousands		RCFD	BIL MIL THOU	
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):					
a. Noninterest-bearing balances and currency and coin(1)			0081	1,750,000	1.a.
b. Interest-bearing balances(2)			0071	2,595,000	1.b.
2. Securities (from Schedule RC-B)			0390	4,514,000	2.
3. Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:					
a. Federal funds sold			0276	1,901,000	3.a.
b. Securities purchased under agreements to resell			0277	366,000	3.b.
4. Loans and lease financing receivables:					
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122	16,851,000			4.a.
b. LESS: Allowance for loan and lease losses	RCFD 3123	1,412,000			4.b.
c. LESS: Allocated transfer risk reserve	RCFD 3128	0			4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)			2125	15,439,000	4.d.
5. Assets held in trading accounts			2146	30,848,000	5.
6. Premises and fixed assets (including capitalized leases)			2145	684,000	6.
7. Other real estate owned (from Schedule RC-M)			2150	269,000	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	158,000	8.
9. Customers' liability to this bank on acceptances outstanding			2155	522,000	9.
10. Intangible assets (from Schedule RC-M)			2143	11,000	10.
11. Other assets (from Schedule RC-F)			2160	8,516,000	11.
12. Total assets (sum of items 1 through 11)			2170	67,573,000	12.

- ----------
1) Includes cash items in process of collection and unposted debits.
2) Includes time certificates of deposit not held in trading accounts.
</TABLE>

<TABLE>
<CAPTION>
Legal Title of Bank: Bankers Trust Company | Call Date: 9/30/93 ST-8K: 36-4840 FFIEC 031
Address: 130 Liberty Street | Page RC-2
City, State, Zip: New York, NY 10006
FDIC Certificate No.: |0|0|6|2|3|

SCHEDULE RC--CONTINUED

	Dollar Amounts in Thousands		////////	Bil Mil Thou	
<S>	<C>	<C>	<C>	<C>	<C>
LIABILITIES					
13. Deposits:					
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part 1)			RCON 2200	8,459,000	13.a.
(1) Noninterest-bearing(1)	RCON 6631	2,923,000			13.a.(1)
(2) Interest-bearing	RCON 6636	5,536,000			13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E,					

part II)			RCFN 2200 14,096,000	13.b.
(1) Noninterest-bearing	RCFN 6631	645,000	//////////	13.b.(1)
(2) Interest-bearing	RCFN 6636	13,451,000	//////////	13.b.(2)
14. Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:			//////////	
a. Federal funds purchased			RCFD 0278 10,461,000	14.a.
b. Securities sold under agreements to repurchase			RCFD 0279 440,000	14.b.
15. Demand notes issued to the U.S. Treasury			RCON 2840 0	15.
16. Other borrowed money			RCFD 2850 14,625,000	16.
17. Mortgage indebtedness and obligations under capitalized leases			RCFD 2910 6,000	17.
18. Bank's liability on acceptances executed and outstanding			RCFD 2920 522,000	18.
19. Subordinated notes and debentures			RCFD 3200 1,277,000	19.
20. Other liabilities (from Schedule RC-G)			RCFD 2930 13,985,000	20.
21. Total liabilities (sum of items 13 through 20)			RCFD 2948 63,871,000	21.
22. Limited-Life preferred stock and related surplus			RCFD 3282 0	22.
EQUITY CAPITAL			//////////	
23. Perpetual preferred stock and related surplus			RCFD 3838 250,000	23.
24. Common stock			RCFD 3230 702,000	24.
25. Surplus (exclude all surplus related to preferred stock)			RCFD 3839 498,000	25.
26. a. Undivided profits and capital reserves			RCFD 3632 2,566,000	26.a.
b. LESS: Net unrealized loss on marketable equity securities			RCFD 0297 0	26.b.
27. Cumulative foreign currency translation adjustments			RCFD 3284 (314,000)	27.
28. Total equity capital (sum of items 23 through 27)			RCFD 3210 3,702,000	28.
29. Total liabilities, limited-life preferred stock, and equity capital (sum of items 21, 22, and 28)			RCFD 3300 67,573,000	29.

Memorandum
To be reported only with the March Report of Condition.

	Number	
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1992	RCFD 6724 N/A	M.1.

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank
2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)
3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)
4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
5 = Review of the bank's financial statements by external auditors
6 = Compilation of the bank's financial statements by external auditors
7 = Other audit procedures (excluding tax preparation work)
8 = No external audit work

- ----------
1) Includes total demand deposits and noninterest-bearing time and savings deposits.

ALCO HEALTH SERVICES CORPORATION, as Issuer

14- 1/2% Senior Subordinated Notes due 1999,
Series A

INDENTURE

Dated as of March __, 1994

Bankers Trust Company,

Trustee

CROSS-REFERENCE TABLE

<TABLE>
<CAPTION>

TIA Section	Indenture Section
<S>	<C>
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(b)	7.8; 7.10; 11.2
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	11.3
(c)	11.3
313(a)	7.6
(b)(1)	N.A.
(b)(2)	7.6
(c)	11.2
(d)	7.6
314(a)	4.4; 11.2
(b)	N.A.
(c)(1)	11.4

	(c)(2)	11.4
	(c)(3)	N.A.
	(d)	N.A.
	(e)	11.5
	(f)	N.A.
315	(a)	7.1(b)
	(b)	7.5; 11.2
	(c)	7.1(a)
	(d)	7.1(c)
	(e)	6.11
316	(a) (last sentence)	2.9
	(a)(1)(A)	6.5
	(a)(1)(B)	6.4
	(a)(2)	N.A.
	(b)	6.7
317	(a)(1)	6.8
	(a)(2)	6.9
	(b)	2.4
318	(a)	11.1

N.A. means Not Applicable.

</TABLE>

Note: This Cross Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

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Note: This Table of Contents shall not, for any purposes, be deemed to be a part of the Indenture.

INDENTURE dated as of March __, 1994, between Alco Health Services Corporation, a Delaware corporation (the "Company") and Bankers Trust Company, a New York banking corporation, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the holders of the Company's 14- 1/2% Senior Subordinated Notes due 1999, Series A (the "Securities"):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. Definitions.

"Affiliate" means, when used with reference to the Company or another Person, any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the Company or such other Person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Agent" means any Registrar, Paying Agent, co-registrar or agent for service of notices and demands.

"Alco" means Alco Health Services Corporation, a Delaware corporation.

"Asset Sale" means any sale, transfer or other disposition of assets or rights (including, without limitation, dispositions pursuant to merger, consolidation or sale lease-back transactions) by a Person or one of such Person's Subsidiaries to any Person other than to such Person or one of such Person's Subsidiaries of a Business Segment.

"Bank Debt" means all obligations, including any Guarantys, to the banks named in the Credit Agreement and the Credit Agent outstanding from time to time under the Credit Agreement, the Loan Documents (as defined in the Credit Agreement), and each other agreement, document or instrument delivered by the Company or any of its Subsidiaries pursuant to the Credit Agreement or any Loan Document.

"Bank Notes" means the promissory notes issued pursuant to the Credit Agreement, as the same may be renewed, extended, amended, modified or supplemented, including any replacement for any thereof.

"Board of Directors" means the Board of Directors of any Person, or any duly authorized committee thereof.

"Business Day" means a day that is not a Legal Holiday as defined in Section 11.7.

"Business Segment" means any assets, group of assets, any Subsidiary,

or stock of a Subsidiary owned as of the date hereof or hereafter acquired by the Company or a Subsidiary, which constitute 10% or more of the assets, operating revenues or EBIT of the Company (as determined on a consolidated basis in conformity with generally accepted accounting principles).

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with generally accepted accounting principles, is accounted for as a capital lease on the balance sheet of such Person.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including mandatorily redeemable preferred stock, outstanding, whether or not included in shareholders equity.

"Company" means the party named as such in this Indenture, and after the Merger shall mean Alco, until a successor replaces it pursuant to the applicable provisions of this Indenture and thereafter means the successor and any other obligor on the Securities.

"Company Common Stock" means the Common Stock, par value $.01 per share, of the Company as it exists on the date of this Indenture or as it may be constituted from time to time.

"Consolidated Fixed Charges" of any Person is defined as, for any period, the sum of Consolidated Interest Expense and Preferred Stock Dividends; provided that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to the assets which are subject of or have been repaid with the proceeds

of such Asset Sales for such period; and provided further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Fixed Charges attributable to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Fixed Charge Ratio" of any Person means the ratio of (i)

the aggregate amount of Consolidated Gross Cash Flow of such Person for the four fiscal quarters for which financial information in respect thereof is available immediately prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Ratio (the "Transaction Date") to (ii) the aggregate Consolidated Fixed Charges of such Person for the four fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date.

"Consolidated Gross Cash Flow" shall mean with respect to any Person, for any period for which it is to be determined (x) the sum of such Person's (i) Earnings Before Interest and Taxes computed without giving effect to any nonrecurring gains and losses (other than in the ordinary course of business); and (ii) to the extent earnings have been reduced thereby, depreciation expenses, amortization expenses and other non-cash expenses; minus (y) the sum of such Person's (i) non-cash items to the extent earnings have been increased thereby and (ii) 25% of the increase, if any, in such Person's Net Working Capital (if positive) during such period, or 25% of the decrease, if any, in such Person's Net Working Capital (if negative) during such period, all as determined on a consolidated basis in conformity with, except as noted above, generally accepted accounting principles provided, that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Gross Cash Flow (if positive) attributable to the assets which are the subject of such Asset Sales for such period or increased by an amount equal to the Consolidated Gross Cash Flow (if negative) attributable thereto for such period, in either case as if such Asset Sale had occurred on the first day of such period; and provided further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Gross Cash Flow attributable

to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Interest Expense" of any Person means, for any period for which the determination thereof is to be made, the aggregate amount of interest in respect of Indebtedness of such Person and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and the net cost associated with Interest Swap Obligations but excluding amortization of all

fees, charges and other issuance costs associated with Indebtedness incurred in connection with the Tender Offer and the Merger) and all but the principal component of rentals in respect of Capital Lease obligations, paid, accrued or scheduled to be paid or accrued by such Person during such period, all as determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Income" with respect to any Person means, for any
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period, the aggregate of the net income (or loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with generally accepted accounting principles; provided, however, that (i) any
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gain (but not loss), together with any related provision for taxes, realized upon the sale or other disposition (including, without limitation, dispositions pursuant to sale and leaseback transactions) of any property or assets which are not sold or otherwise disposed of in the ordinary course of business shall be excluded, (ii) the net income (or loss) of any Person which is not a Subsidiary or is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof, (iii) the net income (or loss) of any Person that is a Subsidiary (other than a Subsidiary of which at least 80% of the capital stock having ordinary voting power for the election of directors or other governing body of such Subsidiary is owned by the referent Person directly or indirectly through one or more Subsidiaries) shall be included only to the extent of the lesser of (a) the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof or (b) the net income (or loss) of such Person, and (iv) the net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded.

"Consolidated Net Worth" with respect to any Person means, as at any
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date of determination, the sum of the Capital Stock and additional paid-in capital plus retained earnings (or minus accumulated deficit) of such Person and its Subsidiaries on a consolidated basis and with respect to the Company and its Subsidiaries, the amount of LIFO reserve, less amounts attributable to Disqualified Interests. Notwithstanding anything to the contrary contained herein, Consolidated Net Worth shall be calculated as if (i) in connection with making purchase accounting adjustments to the recorded value of assets acquired or liabilities assumed in the Tender Offer and the Merger, the entire excess of purchase cost over net assets (on a historical book basis) acquired is allocated to goodwill and accordingly the LIFO reserve will not be eliminated and (ii) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof are included in the purchase cost of Alco for the purpose of calculating the excess of purchase cost over net assets acquired and none of such transaction and other costs are expensed.

"Corporate Trust Office" means the principal office of the Trustee at
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which any particular time its corporate trust business shall be administered which office at the date of execution of this Indenture is located at Four Albany Street, New York, New York 10006 (Attention: Corporate Trust and Agency Group).

"Credit Agent" means General Electric Capital Corporation, as agent under the Credit Agreement, or any successor thereto or any agent under any agreement pursuant to which Indebtedness under the Credit Agreement has been refinanced, as to whom the Company has notified the Trustee and the Holders pursuant to the terms hereof.

"Credit Agreement" means the Credit Agreement dated as of March 30, 1993 between the Company and the lenders named therein and the Credit Agent, as such agreement may be amended, supplemented or modified from time to time, or any agreement pursuant to which Indebtedness under the Credit Agreement is refunded or refinanced.

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any of its Subsidiaries against fluctuations in currency values.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Interest" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (i) is exchangeable or convertible into Indebtedness, (ii) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, on or prior to the maturity date of the Securities, or (iii) is redeemable at the option of the holder thereof, in whole or in part on, or prior to, the maturity date of the Securities.

"Earnings Before Interest and Taxes" or "EBIT" shall mean Consolidated Net Income of a Person, except that there shall be excluded from the calculation thereof (i) all taxes paid or payable by such Person to any government or governmental instrumentality (other than real estate taxes, sales taxes or use taxes), (ii) Consolidated Interest Expense, (iii) amortization of all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof and all goodwill and other intangibles, (iv) all depreciation and amortization of the write-up of assets resulting from the Tender Offer and the Merger and (v) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof that are expensed.

"Effective Time" means the time and date when the Merger becomes
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effective under the laws of the State of Delaware.

"Equity Interests" means Capital Stock or other equity participations,
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including partnership interests, or warrants, options or other rights to acquire Capital Stock or other equity participations (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock or other such equity participations).

"Exchange Act" means the Securities Exchange Act of 1934, as amended,
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and the rules and regulations promulgated by the SEC thereunder.

"Guaranty" means a guaranty (other than by endorsement of negotiable
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instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any indebtedness.

"Holder" or "Securityholder" means the person in whose name a
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Security is registered on the Registrar's books.

"Holdings" means Alco Health Distribution Corporation, a Delaware
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corporation.

"Holdings Debentures" means the 11- 1/4 Senior Debentures due 2005
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of Holdings.

"Indebtedness" with respect to any Person means any indebtedness,
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whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or a trade payable and which is not overdue by more than 60 days and not being contested in good faith, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such Person prepared on a consolidated basis in accordance with generally accepted accounting principles, and also includes, to the extent not otherwise included, any Guaranty of Indebtedness.

"Indebtedness to Net Worth Ratio" means with respect to any Person, at
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any date of determination, the ratio of (i) the outstanding aggregate amount of Indebtedness of such Person and its Subsidiaries, other than, with respect to the Company and its Subsidiaries, Indebtedness incurred pursuant to Section 4.9(k) determined on a consolidated basis, to (ii) the Consolidated Net Worth of such Person.

"Indenture" means this Indenture as originally executed or as amended
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or supplemented from time to time pursuant to applicable provisions of this Indenture.

"Interest Payment Date" means the stated maturity of an installment of
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interest on the Notes as set forth in Exhibit A hereto.

"Interest Rate" shall mean the interest rate of 14- 1/2% per annum
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payable on the principal amount of the Securities.

"Interest Swap Obligations" means the obligations of any Person
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pursuant to any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Junior Indebtedness" means any Indebtedness of the Company and its
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Subsidiaries, whether outstanding at the date

hereof or incurred thereafter, that is subordinate in right of payment to the Securities at least to the same extent as the Securities are subordinated to Senior Indebtedness and which does not mature or have any mandatory redemptions or prepayments in respect thereof prior to the final scheduled maturity date of the Securities.

"Lien" means, with respect to any asset, any mortgage, lien, pledge,
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charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Material Acquisition" means any merger, consolidation, acquisition or
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lease of assets, acquisition of securities or other business combination or acquisition, or any two or more such transactions if part of a common plan to acquire a business or group of related businesses, if the assets thus acquired in the aggregate would constitute a Significant Subsidiary of the Company (if

such businesses or assets were organized in the corporate form) immediately preceding such transaction.

"Merger" means the merger on October 31, 1989 of Alco Health Distribution Corporation with and into Alco, which continued as the surviving corporation.

"Merger Agreement" means the Agreement and Plan of Merger, dated as of November 14, 1988, pursuant to which the Merger was effected.

"Net Proceeds" with respect to any sale or other disposition of a Business Segment, means (i) cash (freely convertible into U.S. dollars) received by the Company or any Subsidiary for such sale or other disposition, after (a) provision for all income or other taxes measured by or resulting from such sale or other disposition, (b) payment of all brokerage commissions and other fees and expenses related to such sale or other disposition, and (c) deduction of appropriate amounts to be provided by the Company or a Subsidiary, as a reserve, in accordance with generally accepted accounting principles, against any liabilities associated with such Business Segment and retained by the Company or a Subsidiary after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to

environmental matters or against any indemnification obligations associated with the sale or other disposition of such Business Segment and (ii) promissory notes received by the Company or any Subsidiary from such sale or other disposition upon the liquidation or conversion of such notes into cash.

"Net Working Capital" shall mean, with respect to any Person, for any date for which it is to be determined, (i) the sum of such Person's inventory, trade receivables and prepaid expenses, minus (ii) the sum of such Person's accrued expenses payable and trade payables, as each of such items would appear on the consolidated balance sheet of such Person and its Subsidiaries prepared as of the date of determination in accordance with generally accepted accounting principles consistently applied.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, any interest accruing subsequent to an event specified in Sections 6.1(v) and 6.1(vi)), penalties, fees, expenses and other monetary liabilities payable under the documentation governing such Indebtedness.

"Officer" of any Person means the Chairman of the Board, the President, any Senior or Executive Vice President, and Vice President, the

Treasurer, the Secretary or the Controller of such Person.

"Officers' Certificate" means a certificate signed by two Officers of any Person conforming to the requirements set forth in Sections 11.4 and 11.5.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee (the counsel may be an employee of or counsel to the Company) conforming to the requirements set forth in Sections 11.4 and 11.5. For the purpose of rendering an opinion, such counsel may rely as to factual matters upon certificates or other documents furnished by Officers and directors of the Company and upon such other documents as such counsel deems appropriate as a basis of his or their opinion, copies of which shall be delivered with such opinion.

"Person" means any individual, corporation partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock Dividends" with respect to any Person for any period means the aggregate dividends and other distributions on or in respect of or to the holders of any preferred stock of such Person or its Subsidiaries paid during such period provided, however, that such term shall not include any such dividends or distribution paid to any Person who is an Affiliate.

"Redemption Date" means, with respect to any Security to be redeemed, the date fixed for such redemption pursuant to this Indenture.

"Redemption Price" means, when used with respect to any Security to be redeemed, the price fixed for such redemption pursuant to this Indenture as set forth in paragraph 5 of the form of such Security.

"Refinancing Debentures" means any security issued by Holdings the proceeds of which are applied to refinance any or all of the Holdings Debentures.

"Responsible Officer" means when used with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee including any Vice President, Assistant Vice President, Secretary, Assistant Secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any officer to whom such matter is referred because of such

officer's knowledge of and familiarity with the particular subject.

"SEC" means the Securities and Exchange Commission and any
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government agency succeeding to its functions.

"Securities" or "Notes" means the Notes of the Company issued
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pursuant to this Indenture.

"Securities Act" means the Securities Act of 1933, as amended, and all
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rules and regulations promulgated by the SEC thereunder.

"Shares" means those shares of Holdings' Class C Common Stock, par
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value $.01 per share, which were sold in units with the Company's 14- 1/2% Senior Subordinated Notes due 1999 issued pursuant to the Indenture dated as of September 25, 1989 between the Company and Mellon Bank, N.A., as Trustee.

"Significant Subsidiary" means any Subsidiary, the assets, operating
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revenues or EBIT of which constitutes 10% or more of the assets, operating revenues or EBIT of the Company as determined on a consolidated basis in conformity with generally accepted accounting principles.

"Specified Senior Indebtedness" means any issue of Senior Indebtedness
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(other than Bank Debt) having a principal amount of at least $50,000,000. For purposes of this definition, a refinancing of any Indebtedness shall be treated as such only if it ranks or would rank on a pari passu basis with the
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Indebtedness refinanced.

"Subordinated Indebtedness" means any Indebtedness (whether
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outstanding on the date of the Indenture or hereafter created) which, pursuant to the terms of the instrument creating or evidencing the same is subordinate in right of payment to the Securities, to which issues the Securities shall be senior in right of payment.

"Subsidiary" means, with respect to any Person, any corporation,
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association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, officers or trustees thereof is at the time owned in the aggregate, directly or indirectly, by such Person and its Subsidiaries.

"Tender Offer" means the tender offer described in the Company's

Offer to Purchase dated November 18, 1988.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of this Indenture.

"Trustee" means the party named as such in this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and thereafter means the successor.

Section 1.2. Other Definitions.

<TABLE>
<CAPTION>

Term	Defined in Section
"Asset Sale Accelerated Payment Date"	3.8
"Asset Sale Offer"	3.8
"Asset Sale Offer Amount"	3.8
"Bankruptcy Law"	6.1
"Custodian"	6.1
"Event of Default"	6.1
"Legal Holiday"	11.7
"Paying Agent"	2.3
"Payment Blockage Period"	10.4
"Registrar"	2.3
"Refinancing Indebtedness"	4.9(f)
"Representative"	10.2
"Repurchase Date"	3.7
"Restricted Payments"	4.7(d)
"Senior Indebtedness"	10.2
"U.S. Government Obligations"	8.1

</TABLE>

Section 1.3. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the

provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Securities;

"indenture security holder" means a Securityholder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Securities means the Company.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them.

Section 1.4. Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;

(iii) references to "generally accepted accounting principles" shall mean generally accepted accounting principles in effect in the United States as of the time when and for the Period as to which such accounting principles are to be applied;

(iv) "or" is not exclusive;

(v) words in the singular include the plural, and in the plural include the singular;

(vi) provisions apply to successive events and trans-actions; and

(vii) all ratios and computations based on generally accepted

accounting principles contained in this Indenture shall be computed in accordance with generally accepted accounting principles except that calculations made for the purpose of determining compliance with the terms of the covenants set forth in Article IV and other provisions of this Indenture shall utilize accounting principles and policies in effect at the time of preparation of, and in conformity with those used to prepare, the historical financial statements of the Company for the fiscal year ended September 30, 1988. Notwithstanding anything to the contrary contained herein, each accounting term used herein shall be used as if, and each financial test shall be calculated as if, the Company and its Subsidiaries valued inventory on a FIFO basis (other than with respect to the calculation of taxes) and without regard to the effects of Emerging Issues Task Force 86-16.

ARTICLE II

THE SECURITIES

Section 2.1 Form and Dating.

The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is part of this Indenture. The Securities shall be generally designated as the Company's "14- 1/2% Senior Subordinated Notes due 1999, Series A." Each Security shall be dated the date of its authentication. The Securities may have notations,

legends or endorsements required by law, stock exchange rule or usage which will be provided by the Company.

The terms and provisions contained in the Securities, annexed hereto as Exhibit A, shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Section 2.2 Execution and Authentication.

Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Securities and may be in facsimile form.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until executed on behalf of the Company and authenticated by the manual signature of the Trustee. The signature of the Trustee or an authenticating agent shall be conclusive evidence that the

Security has been authenticated under this Indenture.

The Trustee shall authenticate Securities for original issue in an aggregate principal amount up to $166,134,000 upon written order of the Company signed by two Officers. The order shall specify the amount of Securities to be authenticated and the date upon which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed (except as provided by Section 2.7) the aggregate principal amount of Securities permitted to be issued pursuant to the first sentence of this paragraph.

The Trustee may appoint an authenticating agent reasonable acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. An authenticating agent may authenticate Securities on behalf of the Trustee, except upon original issuance and pursuant to Section 2.7. Except as provided in the preceding sentence, each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company, a Subsidiary or an Affiliate of the Company.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

Section 2.3 Registrar and Paying Agent.

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for payment ("Paying Agent") and an office or agency where notices or demands to or upon the Company in respect of the Securities and the Indenture may be served. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional Paying Agent.

The Company shall enter into an appropriate written agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall give prompt written notice to the Trustee of the name and address of any Agent who is not a party to this Indenture. If the Company fails to appoint or maintain another entity to act as Registrar or Paying Agent, the Trustee shall act as such. The Company, any Subsidiary or any of their Affiliates may act as Paying Agent, Registrar or co-registrar.

The Company initially appoints the Trustee as Registrar and Paying Agent and agent for service of notices and demands under this Indenture.

Section 2.4 Paying Agent to Hold Money in Trust.

On or prior to the due date of principal of and interest on any Securities, the Company shall deposit with the Paying Agent money sufficient to pay such principal and/or interest so becoming due. The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities (whether such money has been paid to it by the Company or any other obligor on the Securities) and shall notify the Trustee in writing of any failure by the Company (or any other obligor on the Securities) in making any such payment. While any such failure continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The

Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money so paid over to the Trustee. If the Company, any Subsidiary or any of their Affiliates acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Securityholders all money held by it as Paying Agent.

Section 2.5 Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten days prior to each semiannual interest payment date for the Securities and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

Section 2.6 Transfer and Exchange.

When Securities are presented to the Registrar or a co-registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transaction are met; provided that a Security presented or surrendered for
registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar and the Trustee, in the event the Trustee is not then the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. The registration of any Security upon transfer or exchange shall be effective only after the surrender of the Security and the issuance by the Company and authentication by the Trustee of replacement Securities. To permit registrations of transfer and exchanges, the Company shall issue and the Trustee shall authenticate Securities at the Registrar's request. The Company will not make any service charge for any

registration of transfer or exchange but may require payment by the party requesting such registration of a transfer or exchange of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges pursuant to Section 2.10, 3.6 or 9.5).

The Company shall not be required to, and without the prior written consent of the Company, the Registrar shall not register the transfer or exchange of (i) any Security selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (ii) any Security for a period of 15 days before a selection of Securities to be redeemed.

Section 2.7 Replacement Securities.

If a mutilated Security is surrendered to the Trustee or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee, at the Company's request, shall authenticate a replacement Security if the requirements of the Trustee and Company are met, provided that the Trustee shall not be required to authenticate
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or replace any such Security which has been called for redemption in accordance with the terms thereof. If required by the Trustee or the Company, an indemnity bond must be provided that is sufficient in the judgment of each to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge the Securityholder who has lost a Security for its expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company and shall be entitled to the benefits of this Indenture.

Section 2.8 Outstanding Securities.

The Securities outstanding at any time are all Securities executed on behalf of the Company and authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Security does not cease to be outstanding because the Company, a Subsidiary or an Affiliate holds such Security.

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding and interest ceases to accrue unless the Company and the Trustee receive proof satisfactory to each of them that the replaced Security is held by a bona fide purchaser.
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If the Paying Agent (other than the Company, a Subsidiary of the Company or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Securities payable on that date, then on and after

that date,

such Securities shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

Section 2.9 Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, amendment, supplement, waiver or consent, Securities owned by the Company, a Subsidiary or an Affiliate of the Company or an Affiliate of any thereof, shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, amendment, supplement, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded. Securities owned by the Company, a Subsidiary or an Affiliate of the Company which have been pledged in good faith may be regarded as outstanding if the Trustee receives an Officers' Certificate stating that said Securities have been so pledged, that the pledgee is entitled to vote with respect to such Securities and that the pledgee is not the Company or any other obligor on the Securities, a Subsidiary or an Affiliate of the Company, or a Subsidiary of such other obligor.

Section 2.10 Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and execute and the Trustee, upon receipt of a written order of the Company signed by two Officers, shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of a written order of the Company signed by two Officers, shall authenticate definitive Securities in exchange for temporary Securities. Until such exchange, temporary Securities shall be entitled to the same rights, benefits and privileges as definitive Securities.

Section 2.11 Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange, payment, replacement or cancellation. The Trustee and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation. The Company may not issue new Securities to replace Securities that it has paid or that

have been delivered to the Trustee for cancellation. All cancelled Securities held by the Trustee shall be destroyed in accordance with the ordinary customs and practices of the Trustee.

Section 2.12 CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and if so, the Trustee shall use CUSIP numbers in notices of redemption or exchange as a convenience to Holders; provided that any such notice shall state that no representation is made as to the correctness or accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Securities. The Company will promptly notify the Trustee in writing of any change in the CUSIP number.

Section 2.13 Defaulted Interest.

If the Company fails to make a payment of interest on the Securities, it shall pay such interest plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Securityholders on a subsequent special record date. The Company shall fix the special record date and payment date in a manner reasonably satisfactory to the Trustee. The payment date shall be no less than 15 days after such special record date. At least 15 days before the special record date, the Company shall mail to Securityholders a notice that states the special record date, payment date and amount of such interest to be paid.

Section 2.14 Home Office Payment Agreements.

Cash payments of interest on, and all or any portion of the principal of, any Security shall be made by check to the Holder; provided, however, so long as any Holder shall own Securities with an aggregate principal amount greater than $1 million such Holder may elect to have any payments to such Holder of principal (other than in complete redemption) and interest due by wire transfer in immediately available funds by 12:00 noon local time or as soon thereafter as practicable, at the location of such Holder's account; on the date of payment to such account as specified by separate written notice to the Trustee (with a copy to the Company) by such Holder (providing sufficient information with such wire transfer to identify the source and application of the funds and requesting the bank to send a credit advice thereof to such Holder), or to such other account or in

such other similar manner as such Holder may designate to the Trustee (with a copy to the Company) in writing. Each Holder electing to have home office payments (or the person for whom such Holder is a nominee) shall, before

selling, transferring or otherwise disposing of any such Security, make a notation thereon, or submit the same to the Trustee for notation thereon, of the date to which interest has been paid thereon and the amount of all redemptions previously made thereon, or surrender the same to the Trustee in exchange for a Security or Securities aggregating the same principal amount as the unredeemed principal amount of the Securities surrendered. The final payment of principal on a Security may be made only upon presentment of such Security to the Trustee. The Company will indemnify and save the Trustee, its directors, officers, agents and employees, harmless against any liability resulting from any act or omission to act on the part of the Company or any such Holder in connection with any such notice or which the Trustee may incur as a result of making any payment in accordance with any such notice.

ARTICLE III

REDEMPTION

Section 3.1 Notices to Trustee.

If the Company elects to redeem all or any of the Securities pursuant to the provisions of this Article III and paragraph 5 of the Securities, at least 60 days before a Redemption Date, or such shorter period as shall be satisfactory to the Trustee, it shall deliver to the Trustee an Officers' Certificate specifying the Redemption Date, the principal amount of Securities to be redeemed on the Redemption Date, the specific paragraph of the Securities pursuant to which the Securities being called for redemption are being redeemed and the Redemption Price.

Section 3.2 Selection of Securities to be Redeemed.

If less than all of the Securities are to be redeemed, the Trustee shall select Securities to be redeemed, pro rata, by lot or by a method that complies with the requirements of any exchange on which the Securities are listed and that the Trustee considers fair and appropriate. The Trustee shall make the selection from Securities outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them it selects shall be in amounts of $1,000 or integral multiples of $1,000. Provisions

of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be called for redemption.

Section 3.3 Notice of Redemption.

At least 30 days, but in any event not more than 60 days before the Redemption Date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed at his address as it appears in the Securities register maintained by the Registrar.

The notice shall identify the Securities to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price and the amount of accrued interest, if any, to be paid;

(3) if any Security is being redeemed in part, the portion of the principal amount (in integral multiples of $1,000) of such Security to be redeemed and that, after the Redemption Date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion shall be issued;

(4) the name and address of the Paying Agent;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price plus accrued interest to the Redemption Date;

(6) the paragraph of the Securities or the Section of this Indenture pursuant to which the Securities called for redemption are being redeemed;

(7) that, unless the Company defaults in making payment of the Redemption Price and accrued interest to the Redemption Date, interest on Securities called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price plus accrued interest to the Redemption Date upon surrender of the Securities to the Trustee or the Paying Agent; and

(8) the Security's CUSIP number (subject to the proviso in Section 2.12).

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the Redemption Date or such shorter period as may be satisfactory to the Trustee, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph. Concurrently with the giving of any such notice by the Company to the Securityholders, the Company shall deliver to the Trustee an Officers' Certificate stating that such notice has been given. The notice

mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Security shall not affect the validity of the proceeding for the redemption of any other Security.

Section 3.4 Effect of Notice of Redemption.

Once notice of redemption is mailed, Securities called for redemption become due and payable on the Redemption Date at the Redemption Price plus accrued interest to the Redemption Date. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price plus accrued interest to the Redemption Date. Unless the Company defaults in making payment of the Redemption Price and accrued interest to the Redemption Date, interest on the Securities called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price plus accrued interest to the Redemption Date upon surrender of the Securities to the Paying Agent.

Section 3.5 Deposit of Redemption Price.

On or prior to the Redemption Date, the Company shall deposit with the Trustee or with the Paying Agent (or if the Company is acting as its own Paying Agent the Company shall segregate and hold in trust) in federal or other immediately available funds money sufficient to pay the Redemption Price of and accrued interest to the Redemption Date on all Securities to be redeemed on that date other than Securities or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation.

If any Security called for Redemption shall not be so paid (in the manner provided in Section 4.1) on the applicable Redemption Date, interest shall be paid, from the Redemption Date until such Redemption Price is paid, on the unpaid principal and, to the extent permitted by law, on any interest not paid on such unpaid principal, in each case at the rate and in the manner provided in the Securities. Prior to the date such Redemption Price and accrued interest is paid, the Company shall deposit with the Trustee or the Paying Agent (or if the Company is acting as its own Paying Agent, the Company shall segregate or hold in trust) money to pay the additional interest contemplated by the previous sentence.

Section 3.6 Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Company shall issue, and the Trustee shall authenticate for the Holder at the expense of the Company, a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

Section 3.7 Mandatory Redemption or Repurchase.

In addition to any repurchases required by Sections 3.8, 4.11 and 4.21 hereof, if, for the 12 month period ending on each of August 31, 1996 and 1997, the Company's Consolidated Fixed Charge Ratio (as defined) exceeds 1.5 to 1, the Company shall be required, within 90 days from such August 31 (the "Repurchase Date"), to optionally redeem or otherwise repurchase in the open market and retire 5% and 10%, respectively, of the principal amount of Notes offered hereby. Notwithstanding the requirement of the preceding sentence, the Company shall not be required to make such redemption or repurchase until such time, and to the extent, funds become available under the Credit Agreement or any successor or replacement facility. In addition, on August 31, 1998, the Company shall redeem $87,500,000 million in aggregate principal amount of the Securities at a Redemption Price equal to 100% of the aggregate principal amount thereof, plus accrued interest thereon to the Redemption Date. The Company may reduce the principal amount of Notes to be redeemed pursuant to this Section by subtracting 100% of the principal amount of any Notes that the Company has previously acquired and surrendered for cancellation or that the Company has repurchased or redeemed on or prior to the Redemption Date or the Repurchase Date and, in the case of a mandatory repurchase, which have not previously been used as a credit against a prior mandatory repurchase.

Section 3.8 Offer to Repurchase by Application of Net Proceeds.

Within 10 days after the occurrence of any event requiring the Company to offer to repurchase Securities pursuant to the provisions of Section 4.11 hereof, the Company shall deliver to the Trustee an Officers' Certificate stating that such event shall have occurred. In addition to such Officers' Certificate, the Company shall deliver to the Trustee an Opinion of Counsel stating that the Asset Sale Offer (as defined below) is being made in compliance with all applicable law. Within 30 days after the occurrence of any event requiring the Company to offer to repurchase Securities pursuant to the provisions of Section 4.11 hereof, the Company shall mail or cause the Trustee to mail (in the Company's name and expense) an offer to repurchase (the "Asset Sale Offer") an aggregate principal amount of Securities equal to the Net Proceeds of an Asset Sale (the "Asset Sale Offer Amount") at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the Asset Sale Accelerated Payment Date (as defined below) to all Holders of Securities. The Asset Sale Offer shall remain open for a period of twenty Business Days following the mailing of the notice and no longer, except to the extent that a longer period is required by applicable law (the "Asset Sale Offer Period"). No later than five Business Days after the termination of the Asset Sale Offer Period (the date of such purchase being referred to herein as the "Asset Sale Accelerated Payment Date"), the Company shall purchase the Asset Sale Offer Amount of such Securities tendered on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only securities denominations of $1,000, or integral multiples thereof, shall be

purchased) or, if less than the Asset Sale Offer Amount has been tendered, all such Securities tendered in response to the Asset Sale Offer.

If the Asset Sale Accelerated Payment Date is on or after an interest payment record date and on or before the related Interest Payment Date, any interest accrued to the Asset Sale Accelerated Payment Date but unpaid will be paid to the Person in whose name a Security is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Securities pursuant to the Asset Sale Offer.

Upon the commencement of any Asset Sale Offer, the Company or the Trustee, at the written request of the Company, shall send, by first class mail, a notice to each of the Holders. The notice shall, to the extent permitted by applicable law, be

accompanied by a copy of the information regarding the Company that is (or would be, if the Company were subject to the reporting requirements of the Exchange Act) required to be contained in a Quarterly Report on Form 10-Q for the fiscal quarter ending prior to the quarter in which such Asset Sale Offer is made if such fiscal quarter is one of the Company's first three fiscal quarters. If the fiscal quarter ending prior to the quarter in which the Asset Sale Offer is made is the Company's last fiscal quarter, a copy of the Company's most recent financial statements, including any notes thereto, and an auditors' report by Ernst & Young or another accounting firm of established national reputation, and a "Management's Discussion and Analysis of Financial Condition and Results of Operations" shall either accompany the notice or be delivered to Holders not less than 15 days before the Asset Sale Accelerated Payment Date. The notice shall contain instructions indicating how Holders may tender Securities pursuant to the Asset Sale Offer. The notice, which shall set forth the terms of the Indenture governing the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to this Section 3.8 and the length of time the Asset Sale Offer will remain open;

(b) the Asset Sale Offer Amount, the purchase price and the Asset Sale Accelerated Payment Date;

(c) that any Security not tendered or accepted for payment will continue to accrue interest;

(d) that any Security accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Asset Sale Accelerated Payment Date;

(e) that Holders electing to have a Security purchased pursuant to any Asset Sale Offer will be required to tender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the

notice on or before the last day of the Asset Sale Offer Period;

(f) that Holders will be entitled to withdraw their election if the Company, depositary or Paying Agent, as the case may be, receives, not later than on or before the last day of the Asset Sale Offer Period, a telegram, telex, facsimile transmission (confirmed by

overnight delivery of the original thereof) or letter setting forth the name of the Holder, the principal amount of the Security the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have the Security purchased;

(g) that, if the aggregate principal amount of Securities surrendered by Holders exceeds the Asset Sale Offer Amount, the Company shall select the Securities to be purchased on a pro rata
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basis (with such adjustments as may be deemed appropriate by the Company so that only Securities in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(h) that Holders whose Securities were purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered.

On or before an Asset Sale Accelerated Payment Date, the Company shall, to the extent lawful, (i) accept for payment on a pro rata basis (with
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such adjustments as may be deemed appropriate by the Company so that only Securities in denominations of $1,000 or integral multiples thereof, shall be purchased) the Asset Sale Offer Amount of Securities or portions thereof tendered pursuant to the Asset Sale Offer, (ii) if the Company appoints a depositary or Paying Agent, deposit with such depositary or Paying Agent money sufficient to pay the purchase price (including accrued interest) of all Securities or portions thereof so accepted, (iii) deliver or cause the depositary or Paying Agent to deliver to the Trustee the Securities so accepted and (iv) deliver to the Trustee an Officers' Certificate stating that such Securities or portions thereof are accepted for payment by the Company in accordance with the terms of this Section 3.8 and, if the Company has appointed a depositary or Paying Agent, that sufficient funds have been deposited with such depositary or Paying Agent to pay the purchase price (including accrued interest) on such Securities or portions thereof accepted for payment. The depositary, the Paying Agent or the Company shall promptly (but in any case not later than five Business Days after the Asset Sale Accelerated Payment Date) mail to each tendering Securityholder an amount equal to the purchase price of the Securities tendered by such Securityholder and accepted by the Company for purchase, and the Trustee shall promptly authenticate and mail to such Holders a new Security equal in principal amount to any unpurchased portion of the Security surrendered. Any

Securities not so accepted shall be promptly mailed by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer on the Asset Sale Accelerated Payment Date in a financial newspaper of widespread circulation in the City of New York.

ARTICLE IV

COVENANTS

Section 4.1 Payment of Securities.

The Company shall pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. An installment of principal (including any redemption or repurchase of Securities pursuant to Article III), or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money (or if the Company is its own Paying Agent, on the date such money is segregated in trust) designated for and sufficient to pay the installment if payment thereof is not prohibited pursuant to the terms of this Indenture. Interest payable on any Interest Payment Date on and after the date on which the Bank Debt (and any refinancing thereof) has been paid in full shall be payable only in cash.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law to the full extent permitted thereby) on overdue principal at the rate then borne by the Securities; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law to the full extent permitted thereby) on overdue installments of interest at the same rate to the extent legally permitted.

Section 4.2 Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, New York, New York, an office or agency (which may be an office of the Trustee, Registrar or co-registrar) where at all times the Securities may be surrendered for registration of transfer or exchange and where at all times the notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations,

surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 11.2.

The Company may also designate from time to time one or more other offices or agencies where the Securities may be presented or surrendered for any

or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation so to designate as aforesaid an office or agency in the Borough of Manhattan, New York, New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Trustee's Corporate Trust Office, as one such office or agency of the Company in accordance with Section 2.3.

Section 4.3 Corporate Existence.

Subject to Article V, Section 4.11 and Section 4.15, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and that of each Subsidiary of the Company and the rights (charter and statutory), licenses and corporate franchises of the Company and its Subsidiaries; provided that the Company shall not be required to preserve any such existence (except of the Company), right or franchise if the Board of Directors of the Company or of the Subsidiary concerned shall determine in good faith that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.4 SEC Reports and Reports to Securityholders.

(a) The Company shall file with the Trustee, within 15 days after it files them with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe), if any, which the Company is required to file with the SEC pursuant to Sections 13 or 15(d) of the Exchange Act ("SEC Reports"). The Company shall file SEC Reports with the Trustee and the SEC in accordance with the requirements of the previous sentence at all times, whether or not the Company is subject to the requirements of such Sections 13 or 15(d). The Company also shall comply with the other provisions of TIA Section 314(a).

(b) So long as any of the Securities remain outstanding, the Company shall cause any annual report furnished to its stockholders generally and any quarterly or other financial reports furnished by it to its stockholders generally to be filed with the Trustee and mailed to the Securityholders at their addresses appearing in the register of Securities maintained by the Registrar at the time of such mailing or furnishing to shareholders. The Company shall furnish annual or quarterly reports to its stockholders pursuant to the Exchange Act, whether or not so required by the Exchange Act. In each report required to be mailed to the Holders pursuant to this Section 4.4(b), the Company shall include a calculation of the Consolidated Fixed Charge Ratio and a

description, in reasonable detail, of its component parts for the period covered by such report.

Section 4.5 Compliance Certificate; Notice of Defaults.

(a) The Company shall deliver to the Trustee within 45 days after the end of each fiscal quarter of the Company and within 90 days after the end of each fiscal year of the Company an Officers' Certificate, conforming to the requirements set forth in Sections 11.4 and 11.5 hereof, stating a review of the activities of the Company and its Subsidiaries during the preceding fiscal quarter has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled in all material respects its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his knowledge the Company has kept, observed, performed and fulfilled in all material respects each and every covenant contained in this Indenture applicable to it and that it is not in default in any material respect in the performance or observance of any of the terms, provisions and conditions hereof applicable to it (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge and what action the Company has taken, is taking or proposes to take with respect thereto) and that to the best of his knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest on the Securities are prohibited or if such event has occurred, a description of the event and what action the Company has taken, is taking or proposes to take with respect thereto.

(b) The Company shall deliver to the Trustee within 90 days after the end of each fiscal year a written statement by the Company's independent certified public accountants stating (A)

that their audit examination has included a review of the terms of this Indenture and the Securities as they relate to accounting matters, and (B) whether, in connection with their audit examination, any Default has come to their attention and if such a Default has come to their attention, specifying the nature and period of existence thereof; provided that, without any restriction as to the scope of the audit examination, such independent certified public accountants shall not be liable by reason of any failure to obtain knowledge of any such Default that would not be disclosed in the course of an audit examination conducted in accordance with generally accepted auditing standards.

(c) The Company shall deliver to the Trustee as soon as possible and in any event within 10 days after the occurrence of each Event of Default which is continuing, an Officers' Certificate setting forth the details of such Event of Default and the action which the Company proposes to take with respect thereto.

Section 4.6 Waiver of Stay, Extension or Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim, and shall resist any and all efforts to be compelled to take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of and/or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee but shall suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.7 Limitation on Restricted Payments.

Subject to the other provisions of this Section 4.7, the Company will not, nor will it permit any of its Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any distribution on account of the Company's or such Subsidiary's Capital Stock, partnership interests or other Equity Interests (other than dividends or distributions

payable in Equity Interests (other than Disqualified Interests) of the Company or a Subsidiary and other than dividends or distributions payable to the Company or a wholly owned Subsidiary of the Company);

(b) make any loan advance, extension of credit or investment in any Affiliate or Subsidiary other than a Subsidiary wholly owned, either directly or indirectly, by the Company;

(c) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company, Holdings, any Subsidiary or other Affiliate of the Company or Holdings held by any Person other than the Company or a wholly owned Subsidiary of the Company; or

(d) voluntarily prepay Indebtedness that is pari passu with, or
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subordinated to, the Securities, other than as specifically permitted by the terms hereof and other than Indebtedness which matures or has any mandatory redemptions or prepayments in respect thereof prior to the final scheduled maturity date of the Securities (all such dividends, distributions, purchases, redemptions or other acquisitions, retirements and prepayments being collectively referred to as "Restricted Payments"),

If, at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing,

(ii) immediately after such Restricted Payment and after giving effect thereto on a pro forma basis, Consolidated Net Worth of the Company
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does not exceed $265 million,

(iii) the Company's Consolidated Fixed Charge Ratio is less than 2.0 to 1 after giving pro forma effect to such Restricted Payment by
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subtracting the amount of such Restricted Payment from the amount of Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio, or

(iv) such Restricted Payment, together with the aggregate of all other Restricted Payments (valued as set forth below) made after the satisfaction of the conditions in clauses (ii) and (iii) above, exceeds the sum of (x) 25% (or 33% after the Company's Consolidated Net Worth is equal

to or greater than $350 million) of the amount of the aggregate Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first quarter immediately after the initial satisfaction of the condition in clause (ii) above to the end of the Company's most recently ended fiscal quarter at the time of such Restricted Payment plus (y) 100% of the aggregate net cash proceeds and the fair market value of marketable securities received by the Company from the issue or sale of (A) Equity Interests or warrants, options or rights to acquire Equity Interests of the Company subsequent to the date hereof (other than Equity Interests issued or sold to a Subsidiary and other than Disqualified Interests), or (B) any Indebtedness or other security convertible into any such Equity Interest that has been so converted.

For the purposes of the foregoing, the net proceeds from the issuance of Equity Interests of the Company or any Subsidiary Issued upon conversion of debt securities shall be deemed to be the net book value of such debt securities at the date of conversion (plus the additional amount required to be paid upon such conversion, if any), less any cash payment on account of fractional shares. For purposes of this paragraph, the net book value of a security shall be the amount received by the Company on the issuance of such security, as adjusted on the books of the Company to the date of conversion.

For purposes of determining under clause (iv) above the amount expended for Restricted Payments, cash distributed shall be valued at the face amount thereof and property other than cash shall be valued at its fair market value, as determined in good faith by the Board of Directors of the Company.

The provisions of this Section 4.7 shall not prohibit:

(A) the payment of any dividend within 60 days after the date of

declaration thereof, if at said date of declaration such payment would comply with the provisions hereof; or

(B) the retirement of any of the Company's Equity Interests in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary) of, other Equity Interest (other than Disqualified Interests); or

(C) Restricted Payments to finance loans made to management employees (i) in the ordinary course of

business or (ii) in an aggregate principal amount outstanding at any time not to exceed $1,000,000 in connection with the exercise of employee stock options and any costs or expenses (including taxes) incurred in connection therewith; or

(D) Restricted Payments made to refinance Indebtedness subordinated in right of payment to the Securities with the proceeds of Indebtedness permitted by Section 4.9(e); or

(E) Restricted Payments required to be made pursuant to Section 262(i) of the Delaware General Corporation Law (or any successor statute) or payments pursuant to settlement agreements with holders of Shares that have perfected appraisal rights thereunder in an amount not in excess of $31 per Share; or

(F) [Intentionally Omitted.]

(G) [Intentionally Omitted.]

(H) [Intentionally Omitted.]

(I) Restricted Payments to redeem prior to maturity Alco's 6 1/4% convertible subordinated debentures due 2001.

(J) Restricted Payments to Holdings in an amount necessary to meet the cash requirements of Holdings to pay interest on the Holdings Debentures in any 6 month period; provided, that (i) no Event of
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Default or event which with the giving of notice or passage of time would constitute an Event of Default shall occur after giving effect to such Restricted Payments; (ii) the Indebtedness to Net Worth Ratio of the Company is not more than 2.9 to 1 at the time of, and after giving effect to, such Restricted Payment, (iii) Consolidated Net Worth of the Company is more than $160 million at the time of, and after giving effect to, such Restricted Payment, and (iv) the Consolidated Fixed Charge Ratio of the Company is more than 1.5 to 1 after giving pro forma effect to such Restricted Payment by
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subtracting the amount of such Restricted Payment from the amount of

Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio; or

(K) Restricted Payments to Holdings to allow Holdings to pay income taxes, provided that such Restricted Payments may not exceed the lesser of (i) income taxes actually paid by Holdings and (ii) the amount of income taxes which would be paid by the Company if it were the tax paying entity; or

(L) Restricted Payments to Holdings to finance the purchase from terminated management employees of the Company of Capital Stock or Indebtedness of Holdings provided that the aggregate amount of such Restricted Payments which may be outstanding at any time may not exceed $5 million; and provided further that if such amounts are not repaid by Holdings to the Company within six months of such advance, the amount available for Restricted Payments shall be reduced by the amount of such Restricted Payment until repaid to the Company;

(M) Restricted Payments for (i) actual legal, accounting and other operating expenses (which shall not in any event include any interest payments on Indebtedness or management or similar fees) of Holdings to the extent reasonably necessary to permit Holdings to perform its obligations under the Holdings Debentures (other than the payment of interest), subscription and stockholder agreements pursuant to which Company Common Stock is issued or issuable and the transactions and matters contemplated thereby including the obtaining of officers' and directors' liability insurance and indemnification agreements or (ii) actual fees and expenses incurred in connection with the refinancing by Holdings of the Holdings Debentures; or

(N) Restricted Payments to Holdings which are used by Holdings to finance the repurchase of common stock of Holdings or the redemption of Holdings Debentures, for an aggregate repurchase or redemption price not in excess of $1,500,000 plus accrued interest on the Holdings Debentures, if (i) such repurchase and/or redemption occurs substantially simultaneously with (x) the sale of common stock (or the granting of options to purchase common stock) or Holdings Debentures for cash to management employees of Alco and its Subsidiaries, or (y) the surrender by management employees of Alco and its Subsidiaries of options to purchase the common stock of Alco, and (ii) the amount

paid by Holdings in respect of such repurchase or redemption does not exceed the aggregate of the cash proceeds so received and value of Alco common stock options so surrendered.

Section 4.8 Limitation on Dividend and Other Payment Restrictions Affecting

Subsidiaries.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary of the Company to (a) pay dividends or make any other distributions on its Capital Stock or any other equity interest or participation in, or measured by, its profits, owned by the Company or any Subsidiary of the Company, or pay any Indebtedness owed to, the Company or any Subsidiary of the Company, (b) make loans or advances to the Company or any Subsidiary of the Company or (c) transfer any of its properties or assets to the Company or any Subsidiary of the Company, except for such encumbrances or restrictions existing under or by reasons of (i) applicable law, (ii) this Indenture, (iii) the Credit Agreement or any agreement with respect to Refinancing Indebtedness (as defined in Section 4.9(f)), (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Company or any Subsidiary of the Company, (v) customary restrictions contained in agreements with suppliers or customers, (vi) any instrument governing Indebtedness of a Person acquired by the Company or any Subsidiary of the Company at the time of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person other than the Person so acquired, or (vii) Indebtedness existing on the date hereof.

Section 4.9 Limitation on Additional Indebtedness.

(a) Subject to the other provisions of this Section 4.9, the Company will not, nor will it permit any of its Subsidiaries, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness other than the Securities unless the Company's Consolidated Fixed Charge Ratio for its four full fiscal quarters next preceding the date such additional Indebtedness is created, incurred, assumed or guaranteed would have been at least 1.5 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds of such
Indebtedness and after giving effect on a pro forma basis to any acquisition of
assets as if such acquisition had occurred at the beginning of such period) as if the additional Indebtedness had

been created, incurred, assumed or guaranteed at the beginning of the period.

(b) Notwithstanding the foregoing, the limitations of this Section 4.9 shall not apply to existing Indebtedness of Alco or its Subsidiaries which remained outstanding immediately after the Merger or the incurrence by the Company of Indebtedness represented by the Securities or Indebtedness pursuant to the Credit Agreement in an aggregate principal not to exceed $350 million, less any amounts required to be repaid (and which may not be reborrowed) in

accordance with the repayment provisions of the Credit Agreement as in effect at the date hereof, without giving effect to any amendments, alterations or waivers of any provisions thereof.

(c) The limitation of Sections 4.9(a) hereof notwithstanding, the Company and its Subsidiaries may create, incur, assume or guarantee additional Indebtedness in connection with or arising out of obligations for property acquired in the ordinary course of business or other similar financing transactions of up to an aggregate of $10 million at any one time outstanding; provided, however, that the Company and its Subsidiaries may create, incur,
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assume or guarantee additional Indebtedness in connection with or arising out of Capital Lease obligations or purchase money indebtedness of up to an aggregate of $5 million per fiscal year.

(d) The limitations of Section 4.9(a) hereof notwithstanding, the Company and its Subsidiaries may create, incur or assume other Indebtedness of up to an aggregate principal amount of $35 million, all or a portion of which may be Indebtedness pursuant to the Credit Agreement.

(e) The limitations of Section 4.9(a) hereof notwithstanding, the Company or a Subsidiary of the Company may create, incur or assume Indebtedness the proceeds of which are used to refinance outstanding Indebtedness (other than borrowings under the Credit Agreement) of the Company or any of its Subsidiaries in a principal amount (or, if such Indebtedness is issued with original issue discount, in a principal amount equal to the original issue price of such Indebtedness plus accretion, if any) not to exceed the principal amount so refinanced; provided that Indebtedness the proceeds of which are used to
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refinance the Securities or other Indebtedness of the Company which is subordinated in right of payment to the Securities shall only be permitted (1) if the Securities are refinanced in part, such Indebtedness is expressly made pari passu or subordinate in right of payment to the remaining Securities, (2)
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if the

Indebtedness to be refinanced is subordinated in right of payment to the Securities, the Indebtedness incurred in the refinancing is subordinated in right of payment to the Securities at least to the extent that the Indebtedness to be refinanced is subordinated to the Securities, and (3) if the Securities are refinanced in part or if the Indebtedness to be refinanced is subordinated in right of payment to the Securities and matures after the maturity date of the Securities, such Indebtedness determined as of the date of incurrence does not have a final maturity (after assuming the exercise of any and all unconditional (other than as to the giving of notice) options to extend the maturity thereof) prior to the final scheduled maturity date of the Securities; and provided,
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further, that in no event shall any Subsidiary of the Company, create, incur or assume any Indebtedness the proceeds of which are used to refinance Indebtedness of the Company.

(f) The limitations of Section 4.9(a) hereof notwithstanding, the Company may create, incur or assume any Indebtedness (including commercial paper) that serves to refund or refinance all or any portion of borrowings then outstanding under the Credit Agreement (the "Refinancing Indebtedness"), provided that such Refinancing Indebtedness is in an aggregate principal amount
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not greater than the greater of (i) the aggregate principal amount of such Indebtedness outstanding at the time of the refunding or refinancing and (ii) 90% of the sum of, as determined on a consolidated basis at the time of the refunding or refinancing, its (a) accounts receivable, (b) inventory valued on a FIFO basis and (c) the fair market value of property, plant and equipment; provided, however, that in no event may the aggregate principal amount of such
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Refinancing Indebtedness exceed $350 million.

(g) The limitations of Section 4.9(a) hereof notwithstanding, the Company or a Subsidiary of the Company may create, incur or assume Indebtedness (a) under Interest Swap Obligations, (b) evidenced by letters of credit issued in the ordinary course of business or reimbursement obligations in respect thereof, (c) for bank overdrafts that are repaid in three Business Days.

(h) The limitations of Section 4.9(a) hereof notwithstanding, the Company or a Subsidiary of the Company may create, incur or assume Indebtedness in respect of performance bonds provided by the Company and its Subsidiaries in the ordinary course of business, and refinancings thereof.

(i) The limitations of Section 4.9(a) hereof notwithstanding, the Company or any Subsidiary of the Company may

create, incur or assume Indebtedness to the Company or a Subsidiary of the Company, or if such Indebtedness would be permitted as a Restricted Payment, to Holdings.

(j) The limitations of Section 4.9(a) notwithstanding, the Company or a Subsidiary of the Company may create, incur or assume Indebtedness that constitutes an accrued expense or a trade payable which is overdue by more than 60 days.

(k) The limitations of Section 4.9(a) hereof notwithstanding, the Company and its Subsidiaries may guarantee or assume Indebtedness of independent pharmaceutical stores in the ordinary course consistent with past practice in an aggregate principal amount at any time outstanding not in excess of $20 million.

(l) The limitations of Section 4.9(a) hereof notwithstanding, the Company may create, incur or assume any Junior Indebtedness in an aggregate principal amount not to exceed $20 million at any time; provided, however, that
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the Consolidated Fixed Charge Ratio, after giving effect to the incurrence of such additional Junior Indebtedness shall be at least 1.2 to 1.

(m) The limitations of Section 4.9(a) hereof notwithstanding, the Company will not permit any Subsidiary, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become liable with respect to, contingently or otherwise, any Indebtedness except as specifically permitted in Sections 4.9(b) through 4.9(l) with respect to Subsidiaries.

Section 4.10 Limitation on Material Acquisitions.

Except for the Merger neither the Company nor any Subsidiary shall participate as the acquiring party in a Material Acquisition unless:

(a) no Default or Event of Default exists as a result of and after giving effect to the Material Acquisition;

(b) after giving effect to the Material Acquisition on a pro forma basis and immediately thereafter, the Company shall (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to Section 4.9(a) or (ii) have a Consolidated Fixed Charge Ratio of at least 1.3 to 1; provided, that, in the case of (ii) hereof, if such Consolidated Fixed Charge Ratio is 1.5 or less, then the

Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least equal to the Consolidated Fixed Charge Ratio prior thereto; and

(c) subject to Article 5, any business acquired as part of a Material Acquisition shall be consolidated with or merged into or made a Subsidiary of the Company, and shall be in the same or related line of business as the Company and its Subsidiaries.

The Company shall deliver to the Trustee, prior to the consummation of any proposed Material Acquisition, an Officers' Certificate stating that the proposed transaction complies with the requirements of this Section 4.10.

Section 4.11 Sale of Certain Business Segments.

(a) Neither the Company nor any of its Subsidiaries shall sell, lease, convey or otherwise dispose of, in any one or a series of related transactions, any Business Segment unless at least 75% of the proceeds therefor received by the Company or such Subsidiary, prior to giving effect to any assumption of indebtedness or liabilities by the purchaser of the Business Segment are in the form of cash.

(b) The Company shall apply the Net Proceeds from an Asset Sale to

either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding, (ii) to an investment in an asset or business in the same line of business of the Company or to expenditures in the business of the Company provided such investment or expenditure occurs within 360 days from receipt of such Net Proceeds or (iii) to an Asset Sale Offer pursuant to the provisions of Section 3.8 hereof. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the foregoing clauses, then, if permitted pursuant to Section 4.7 hereof, the Company may make Restricted Payments. In the event the Company elects to apply such proceeds in accordance with clause (ii), the Company shall deliver an Officers' Certificate to the Trustee stating that such reinvestment has occurred. In the event the Net Proceeds from a single Asset Sale, whether received in a single transaction or series of transactions, exceed $75,000,000, the Company shall apply the Net Proceeds from an Asset Sale to either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding or (ii) to an Asset Sale Offer

pursuant to the provisions of Section 3.08 hereof. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the foregoing clauses, then, if permitted pursuant to Section 4.7 hereof, the Company may make Restricted Payments.

(c) Simultaneously with the notification of such Asset Sale Offer to the Trustee as required hereby, the Company shall provide the Trustee with an Officers' Certificate setting forth the information required hereby to be included therein and in addition, setting forth the calculations used in determining the Asset Sale Amount.

(d) In the event that the Company shall make any payment of Net Proceeds to the Trustee that should properly have been made by the Company in the prepayment of outstanding Senior Indebtedness pursuant to the provisions of this Section 4.11, such payment shall be held by the Trustee for the benefit of, and, upon written request, shall be paid forthwith over and delivered to, the appropriate Representative for application in accordance with the provisions of this Section 4.11. With respect to a Representative, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Section 4.11(d), and no implied covenants or obligations with respect to a Representative shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to a Representative and shall not be liable to a Representative if the Trustee shall distribute any such payment or any portion thereof to the Securityholders, except if such distribution is made as a result of the willful misconduct or gross negligence of the Trustee. If Net Proceeds are received by Securityholders that, pursuant to the provisions of this Section 4.11, should properly have been received by a Representative for the prepayment of Senior Indebtedness, the Securityholders who receive such Net Proceeds shall hold such Net Proceeds in trust for, and pay such Net Proceeds over to, the

appropriate Representative.

(e) Notwithstanding the provisions of this Section 4.11 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, or the taking of any action by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Securities pursuant to an

Asset Sale Offer, unless a Responsible Officer of the Trustee shall have received at its Corporate Trust Office at least three Business Days prior to the date of such payment written notice of facts that would cause the payment with respect to the Securities to violate this Article. Only the Company, a Representative of Senior Indebtedness or a holder of an issue of Senior Indebtedness that has no Representative may give the notice. Nothing in this Section 4.11 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.7 hereof.

Section 4.12 Maintenance of Properties, etc.

The Company shall, and shall cause each of its Subsidiaries to, maintain its properties and assets in good working order and condition and make all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, as shall be reasonably necessary for the proper conduct of its business.

The Company shall, and shall cause each of its Subsidiaries to, maintain with financially sound and reputable insurers such insurance as may be required by law and such other insurance to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated (which may include self insurance in the same form as is customarily maintained by companies similarly situated).

The Company shall, and shall cause each of its Subsidiaries to, keep true books of records and accounts in which full and correct entries will be made of all its business transactions, in accordance with sound business practices, and reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with generally accepted accounting principles.

The Company shall, and shall cause each of its Subsidiaries to, comply with all statutes, laws, ordinances or government rules and regulations to which it is subject, noncompliance with which would materially adversely affect the earnings, properties, assets or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole.

The Company shall, and shall cause each of its Subsidiaries to, pay prior to delinquency all taxes, assessments and governmental levies which if not

paid would have a material adverse effect on the business, earnings, properties, assets, financial condition or results of operations of the Company and

its Subsidiaries taken as a whole and except as contested in good faith and by appropriate proceedings.

Section 4.13 Limitation on Liens.

The Company will not, and will not permit any Subsidiary to create, incur, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it securing Indebtedness (other than accrued expenses and trade payables) which is either pari passu with or subordinate to or otherwise junior in right of payment to the Securities unless the Company will make or cause to be made effective provision whereby the Securities will be secured by such Lien equally and ratably with any and all other Indebtedness thereby secured as long as any such Indebtedness shall be so secured.

Section 4.14 [Intentionally Omitted.]

Section 4.15 Liquidation or Dissolution.

Neither the Board of Directors nor the stockholders of the Company may adopt a plan of liquidation or dissolution that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company, otherwise than substantially as an entirety (Article V of this Indenture being the Article hereof that governs any such sale, lease, conveyance or other disposition substantially as an entirety) and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of the remaining assets of the Company to the holders of Capital Stock of the Company, unless the Company, prior to making any liquidating distribution pursuant to such plan, makes provision for the satisfaction of the Company's obligations hereunder and under the Securities as to the payment of principal and interest. The Company shall be deemed to make provision for such payments only if the Company delivers in trust to the Trustee or Paying Agent (other than the Company or a Subsidiary) money or U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as are sufficient without consideration of any reinvestment of such interest to pay, when due, the principal of and interest on the Securities and also delivers to the Trustee an Opinion of Counsel to the effect that Holders of the Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such action and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such action had not been taken; provided,

however, that the Company shall not make any liquidating or dissolution distributions until after the Company shall have certified to the Trustee with an Officers' Certificate at least five days prior to the making of any liquidating or dissolution distribution that it has complied with the provisions of this Section 4.15 and that no Default or Event of Default then exists or would occur as a result of any such liquidating distribution.

Section 4.16 Prohibition Against Becoming an Investment Company.

The Company shall not, nor shall it permit a Subsidiary to, conduct its business or take any action so as to (i) require registration of the Company or any Subsidiary as an investment company under the Investment Company Act of 1940, or (ii) subject the Company or any Subsidiary to regulation as an investment company under the Investment Company Act of 1940 pursuant to an order to the SEC which remains unstayed and in effect for 60 days.

Section 4.17 No Senior Subordinated Indebtedness Other Than the Securities.

The Company shall not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Indebtedness and senior in any respect in right of payment to the Securities other than Indebtedness of the Company under the Credit Agreement guaranteed by Citicorp Venture Capital Ltd. ("CVCL") or any of its Affiliates in an aggregate principal amount of not greater than $20 million at any one time outstanding; provided, however, that additional borrowings are otherwise unavailable to the Company (i) as advances in aggregate amounts exceeding the borrowing base provisions of the Credit Agreement or (ii) as a result of any default which has occurred and is continuing with respect to the financial covenants of the Credit Agreement at the time of incurrence by the Company of such Indebtedness.

Section 4.18 Restriction on Sale and Issuance of Subsidiary Stock.

The Company will not permit any of its Subsidiaries to, directly or indirectly, issue, contingently or otherwise, any shares of its Capital Stock, including any rights, warrants or options with respect thereto, to any Person other than the Company or one or more wholly owned Subsidiaries.

Section 4.19 [Intentionally Omitted.]

Section 4.20 Transactions with Shareholders and Affiliates.

The Company will not, and will not permit any Subsidiary of the Company to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or other assets or the rendering of any service or the making of any loan or advance or the guarantee of any indebtedness) with any holder of 10% or more of any class of equity securities of Holdings, any Subsidiary of Holdings or any Affiliates of any thereof or of any such holder, on terms that are materially less favorable to Holdings or such Subsidiary or Affiliate, as the case may be, than those which might be obtained at the time from persons who are not such a holder or Affiliate; provided that the foregoing
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restrictions shall not apply to any transaction between the Company and any of its wholly-owned Subsidiaries; provided, further, that the foregoing
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restrictions shall not apply to (i) stock and debt purchase arrangements of Holdings and Alco with the employees of Alco and its Subsidiaries, and (ii) provided, further, that the foregoing restrictions shall not apply to any
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arrangements entered into on or prior to the date of the Indenture dated September 25, 1989 for the Company's 14- 1/2 Senior Subordinated Notes due 1989 (the "Existing Indenture"), between the Company and/or Holdings and/or any of their respective Subsidiaries or Affiliates and CVCL and/or any of its Subsidiaries or Affiliates, for services rendered on or prior to the date of the Existing Indenture by CVCL.

Section 4.21 Change of Control.

(a) If, at any time, (i) any issuance of shares of capital stock of Holdings or any sale, transfer or other disposition of any shares of capital stock of Holdings or the Holdings Debentures by any Person to any Person (other than an affiliate of CVCL or an officer, director or employee of CVCL or Alco) results in CVCL, its affiliates and officers, directors and employees of CVCL and Alco holding less than 50% of either (a) the total common equity interest in Holdings or the total voting power of all the outstanding shares of capital stock of Holdings entitled to vote in the election of directors of Holdings or (b) the aggregate principal amount outstanding of Holdings Debentures or Refinancing Debentures, as the case may be, or (ii) Holdings owns less than 80% of the outstanding shares of voting stock of the Company (each, a "Change of Control"), each holder of Notes shall have the right to require that the Company repurchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, in accordance with the terms

contemplated in paragraph (b) below; provided, however, that a Change of Control
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pursuant to clause (i) of this sentence will be deemed not to have occurred if, at the time of any such issuance, sale, transfer or disposition, the Consolidated Fixed Charge Ratio is greater than 1.5 to 1. The Company hereby covenants that, prior to the mailing of the notice to holders provided for in

paragraph (b) below, it will repay in full all Indebtedness under the Credit Agreement or offer to repay in full all such Indebtedness and to repay the Indebtedness of each lender who has accepted such offer. The Company shall first comply with the covenant in the preceding sentence before the Company shall be required to repurchase Notes pursuant to this Section 4.21.

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each holder of Notes stating:

(1) that a Change of Control has occurred and that such holder has the right to require the Company to repurchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase;

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 40 days from the date such notice is mailed); and

(4) the instructions a holder must follow in order to have its Notes repurchased.

ARTICLE V

MERGER, ETC.

Section 5.1 When Company May Merge, etc.

The Company shall not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of its assets to, any Person unless:

(i) the Company shall be the continuing Person, or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer or lease or conveyance shall have been made, is a corporation organized and existing under the laws

of the United States, any state thereof or the District of Columbia;

(ii) the corporation formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale or conveyance shall have been made, expressly assumes by indenture supplemental hereto, executed and delivered to the Trustees, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(iii) immediately before and after giving effect to such transaction

no Default or Event of Default exists; and

(iv) if as a result of such transaction, the corporation formed by or surviving any such consolidation or merger, or to which such sale or conveyance shall have been made (a) shall have Consolidated Net Worth (immediately after the transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (b) shall immediately after giving effect to the transaction on a pro forma basis either (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to Section 4.9(a) or (ii) have a Consolidated Fixed Charge Ratio of at least 1.1:1; provided, that, in the case of (ii) hereof, if such Consolidated Fixed Charge Ratio is 1.5:1 or less, then the Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least .1:1 greater than the Consolidated Fixed Charge Ratio prior thereto.

Notwithstanding the foregoing (a) nothing in this Article 5 shall prohibit or restrict the Merger and (b) any Subsidiary of the Company may consolidate with, merge into or transfer all or part of its properties and assets to the Company or any wholly owned Subsidiary or Subsidiaries of the Company.

The Company shall deliver to the Trustee prior to the proposed transaction on Officers' Certificate and an Opinion of Counsel, each stating that the proposed transaction and such supplemental indenture comply with this Indenture.

Section 5.2 Successor Corporation Substituted.

Upon any consolidation or merger, or any transfer of all or substantially all of the assets, of the Company in accordance with Section 5.1 the successor corporation formed by

such consolidation or into which the Company is merged or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power and will assume all obligations and covenants of the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein and thereafter the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Indenture or any successor corporation which previously shall have become liable in the manner prescribed in this Article V), shall be relieved of all obligations and covenants and shall no longer exercise any rights or powers under this Indenture and the Securities.

ARTICLE VI

Section 6.1 Events of Default.

An "Event of Default" occurs if:

(i) the Company defaults in the payment of interest on any Security when the same becomes due and payable and the default continues for a period of 30 days, whether or not such payment shall be prohibited by the provisions of Article X hereof;

(ii) the Company defaults in the payment of the principal of any Security when the same becomes due and payable at maturity, upon acceleration, upon redemption, or otherwise, whether or not such payment shall be prohibited by the provisions of Article X;

(iii) the Company fails to comply in any material respect with any of its other agreements or covenants in, or provisions of, the Securities or this Indenture (including, without limitation, the Company's covenant to repay or offer to repay Indebtedness under the Credit Agreement under the circumstances described under Section 4.21), and the Default continues for the period and after the notice specified below;

(iv) default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or a Subsidiary of the Company (or the payment of which is guaranteed by the Company or a Subsidiary of the Company), in an amount or amounts over $10 million in the aggregate

whether such Indebtedness or guarantee now exists or shall be created hereafter, and such default results in the acceleration of such Indebtedness which, together with the principal amount of any such other Indebtedness so accelerated, and then remaining unsatisfied, and in respect of which such acceleration has not been rescinded, aggregates in excess of $10 million;

(v) the Company or any Subsidiary of the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding,

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors,

or

(E) generally is unable to pay its debts as they become due;

(vi) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Subsidiary of the Company in an involuntary case or proceeding,

(B) appoints a Custodian of the Company or any Subsidiary of the Company or for all or substantially all of its property, or

(C) orders the liquidation of the Company or any Subsidiary,

and in each case the order or decree remains unstayed and in effect for 60 days; or

(vii)a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Company or a Subsidiary of the Company and such judgment or judgments remain undischarged, unstayed or unbonded for a period of 60 days, provided that the aggregate of all such judgments remaining

undischarged, unstayed or unbonded at the end of such 60-day period exceeds $10 million.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

A Default under clause (iii) of this Section 6.1 is not an Event of Default until the Trustee notifies the Company in writing, or the Holders of at least 25 percent in principal amount of the Securities then outstanding notify the Company and the Trustee in writing, of the Default, and the Company does not cure the Default within 30 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." Such notice shall be given by the Trustee if so requested in writing by the Holders of 25 percent of the principal amount of the Securities then outstanding.

Section 6.2 Acceleration.

If an Event of Default (other than an Event of Default specified in clause (v) or (vi) of Section 6.1 with respect to the Company) occurs and is continuing, the Trustee or the Holders of at least 25 percent of the principal amount of the Securities then outstanding, by written notice to the Company, the Credit Agent, and to the Trustee if given by the Holders, may declare the

principal of and accrued but unpaid interest on all the Securities to be due and payable. If an Event of Default specified in clause (v) or (vi) of Section 6.1 with respect to the Company occurs, all principal of and accrued but unpaid interest on the Securities then outstanding shall ipso facto become and be
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immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of at least a majority in principal amount of the Securities then outstanding by written notice to the Trustee and the Credit Agent may rescind an acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of principal of or accrued but unpaid interest on the Securities which have become due solely because of the acceleration, have been cured or waived (ii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by the acceleration, has been paid, (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (iv) all payments then due to the Trustee and any

predecessor Trustee under Section 7.7 have been made, and (v) in the event of a cure or waiver of a Default under clause (iv) of Section 6.1, the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Default has been cured or waived.

Section 6.3 Other Remedies.

Subject to the provisions of Article X, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative to the extent permitted by law.

Section 6.4 Waiver of Past Defaults.

Subject to Sections 6.7 and 9.2, the Holders of at least a majority in principal amount of the Securities then outstanding by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default in the payment of the principal of or interest on any Security as specified in clauses (i) or (ii) of Section 6.1. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such

waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.5 Control by Majority.

The Holders of at least a majority in principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Securityholders or that may involve the Trustee in personal liability.

Section 6.6 Limitation on Suits.

Except as provided in Section 6.2 or 6.7 of this Indenture, a Securityholder may not pursue a remedy with respect to this Indenture or the Securities unless:

(i) the Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25 percent in aggregate principal amount of the Securities then outstanding make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability, cost or expense;

(iv) the Trustee does not comply with the request within 30 days after receipt of the request and the offer of indemnity; and

(v) during such 30-day period the Holders of at least a majority in principal amount of the Securities then outstanding do not give the Trustee a direction inconsistent with the request.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

Section 6.7 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, except for the provisions of Article X, the right of any Holder of a Security to receive payment of principal of or interest on the Security on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or

affected without the consent of the Holder.

Section 6.8 Collection Suit by Trustee.

If an Event of Default specified in Section 6.1(i) or (ii) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any other obligor on the Securities for the whole amount of principal and accrued interest remaining unpaid on the Securities, together with interest on overdue principal and, to

the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate then borne by the Securities, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.9 Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Securityholders allowed in any judicial proceedings relative to the Company or any other obligor on the Securities, its creditors or its property and shall be entitled and empowered to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceeding is hereby authorized by each Securityholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 6.10 Priorities.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.7;

Second: to holders of Senior Indebtedness, in accordance with Article X hereof;

Third: to Securityholders for amounts due and unpaid on the Securities for principal (or premium, if any) and interest ratably without preference or priority of any kind, according to the amounts due

and payable on the Securities for principal (and premium, if any) and interest, respectively; and

Fourth: to the Company or any obligors on the Securities, as their interests may appear, or as a court of competent jurisdiction may direct.

The Trustee, upon prior written notice to the Company, may fix a record date and payment date for any payment of Securityholders pursuant to this Section 6.10.

Section 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in principal amount of the Securities then outstanding.

ARTICLE VII

TRUSTEE

Section 7.1 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions delivered to the Trustee by the Company pursuant to this Indenture and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture but need not confirm the accuracy of mathematical calculations.

(c) Notwithstanding anything to the contrary herein contained, the Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.1.

(2) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) Except as otherwise provided in Section 7.1(a), the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.1.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee shall not be obligated to pay interest on any money received by it unless otherwise agreed with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.2 Rights of Trustee.

Subject to Section 7.1;

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both, which shall conform to Section 11.4 and Section 11.5 hereof and containing such other statements as the Trustee reasonably deems necessary to perform its duties hereunder. The Trustee shall not be liable for any action it takes or omits to take in good faith and without negligence in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act either directly or indirectly through attorneys or agents and shall not be responsible for the misconduct or negligence of, any attorney or agent appointed and retained with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith and without negligence which it reasonably believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) The Trustee may consult with counsel, and the advice of such counsel or any Opinion of Counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) Unless otherwise specifically provided in the Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture or any supplemental indenture, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any Securityholder, pursuant to the provisions of this Indenture or any supplemental indenture, unless such Securityholder

shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred thereunder or thereby.

(h) The Trustee shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, direction, order, approval, bond, note or other paper or document, but the Trustee shall be entitled to make such further inquiry or investigation into such facts or matters as it may reasonable see fit, or if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Company, personally or by agent or attorney.

The Company shall reimburse the Trustee for all reasonable disbursements, advances and expenses incurred by it in connection with the performance of its duties under this paragraph (h); provided, however, that such reimbursement shall be subject to the provisions of Section 7.7.

(i) In the event that the Trustee is also acting as Paying Agent or Registrar hereunder, the rights and protections afforded to the Trustee pursuant to this Article VII shall also be afforded to such Paying Agent and Registrar.

(j) The Trustee shall not be charged with the knowledge of an Event of Default unless a Responsible Officer obtains actual knowledge of such event or the Trustee receives written notice of such event.

Section 7.3 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 7.10 and 7.11.

Section 7.4 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities; it shall not be accountable for the Company's use of the proceeds from the Securities; it shall not be accountable for any money paid to the Company, or upon the Company's direction, if made under and in

accordance with any provision of this Indenture; it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee; and it shall not be responsible for any statement of the Company in this Indenture or any statement in the Securities other than its certificate of authentication.

Section 7.5 Notice of Defaults.

If a Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to Securityholders a notice of the Default within 30 days after the occurrence thereof. Except in the case of a Default in payment of any Security, the Trustee may withhold the notice if and so long as the board of directors, executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that withholding the notice is in the interests of Securityholders.

Section 7.6 Reports by Trustee to Holders.

Within 60 days after each May 15 following the date of this Indenture, the Trustee shall mail to Securityholders a brief report dated as of such reporting date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b)(2) and shall transmit reports required by TIA Section 313 by mail as required by TIA Section 313(c).

A copy of each report at the time of its mailing to Securityholders shall be mailed to the Company and filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company shall notify the Trustee in writing when the Securities are listed on any securities exchange.

Section 7.7 Compensation and Indemnity.

The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable disbursements, advances and expenses incurred by it in connection with the performance of its duties under this Indenture, including the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel and any taxes or other expenses incurred by a trust created pursuant to Section 8.1 hereof.

The Company shall indemnify the Trustee, its directors, officers, employees and agents, against any loss, liability, cost or expense incurred by it arising out of or in connection with the performance of its duties under this Indenture, except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend such claim and the Trustee shall cooperate in such defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence, willful misconduct or bad faith. The Company need not pay for any settlement made by the Trustee without the Company's consent, which consent shall not be unreasonably withheld.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a Lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay the principal of and interest on particular Securities. Such obligations shall survive the satisfaction and discharge of the Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in clause (v) and (vi) of Section 6.1 occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.8 Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

Subject to TIA Section 310(b), the Trustee may resign and be discharged from the trust hereby created by so notifying the Company in writing, such resignation and discharge to become effective as provided in the last paragraph of this Section. The Holders of a majority in principal amount of the then outstanding Securities may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of Trustee or its property; or

(iv) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. The Trustee shall be entitled to payment of its fees and reimbursement of its expenses while acting as Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Securityholder who has been a Securityholder for at least six months, fails to comply with Section 7.10, such Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided for in Section 7.7. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall

continue for the benefit of the retiring Trustee.

No Trustee hereunder shall be liable for the acts or omissions of any successor Trustee.

Section 7.9 Successor Trustee or Agent by Merger, etc.

If the Trustee or any Agent consolidates, merges or converts into, or transfers all or substantially all of its

corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee or Agent, if such corporation complies with Section 7.10.

Section 7.10 Eligibility; Disqualification.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof authorized under such laws to exercise trust powers, shall be subject to supervision or examination by Federal or State authority and shall have a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1). The Trustee is subject to TIA Section 310(b).

Section 7.11 Preferential Collection of Claims Against the Company.

The Trustee shall be subject to, and the Trustee shall at all times comply with, TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

Section 8.1 Termination of Company's Obligations.

The Company may terminate its obligations under the Securities and this Indenture, except those obligations referred to in the immediately succeeding paragraph, if:

(1)(a) all Securities previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Securities which have been

replaced or paid or Securities for whose payment money or securities has theretofore been held in trust and thereafter repaid to the Company) as provided in Section 8.3 have been delivered to the Trustee for cancellation; or

(b)(i) the Securities mature within six months or all of them are to be called for redemption within six months

under arrangements satisfactory to the Trustee for giving notice of redemption, and

(ii) the Company irrevocably deposits or causes to be deposited with the Trustee, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee and its counsel, as trust funds in trust solely for the benefit of the Holders for that purpose, money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged ("U.S. Government Obligations"), maturing as to principal and interest in such amounts and at such times as are sufficient (in an opinion set forth in an accountants' certificate delivered by the Company to the Trustee,) without consideration of any reinvestment of such interest, to pay principal of and interest on the outstanding Securities to maturity or redemption as the case may be; provided that the Trustee shall have been
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irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of said principal and interest with respect to the Securities; and

(2) the Company pays or causes to be paid all sums then payable by the Company hereunder and under the Securities; and

(3) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with.

In such event, the obligations of the Company under this Indenture shall cease to be of further effect (except as provided in this paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging satisfaction of and discharge under this Indenture. The Company may make the deposit only if Article X hereof does not prohibit such payment. However, the Company's obligations in Sections 2.3, 2.4, 2.5, 2.6, 2.7, 2.13, 4.1, 7.7, 7.8, 8.1, 8.2 and 8.4 and the Trustee's and Paying Agent's obligations hereunder, including under Section 8.3, shall survive until the Securities are no longer outstanding. Thereafter, only the Company's and the Trustee's obligations in Section 7.7 and the Trustee's and Paying Agent's obligations in Section 8.3 shall survive.

After such irrevocable deposit made pursuant to this

Section 8.1 and satisfaction of the other conditions set forth in this Section 8.1, the Trustee upon the written request signed by two Officers of the Company shall acknowledge in writing the discharge of the Company's obligations under this Indenture except for those surviving obligations specified above.

Section 8.2 Application of Trust Money.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.1. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal, and interest on the Securities, Money and U.S. Government Obligations held in trust are not subject to Article X.

Section 8.3 Repayment to Company.

The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due; provided that the Company shall have first caused notice of such payment to be mailed to each Securityholder entitled thereto no less than 30 days prior to such repayment and/or within such period shall have published such notice in a financial newspaper of widespread circulation in the City of New York. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

Section 8.4 Reinstatement.

If (i) the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.2 by reason of any decree, order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, and (ii) the Holders of at least a majority in principal amount of the then outstanding Securities so request by written notice to the Trustee, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred

pursuant to Section 8.1 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Governmental Obligations in accordance with Section 8.2; provided, however, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX

AMENDMENTS

Section 9.1 Without Consent of Holders.

The Company, when authorized by a resolution of its Board of Directors, and the Trustee may amend or supplement this Indenture or the Securities without notice to or the consent of any Securityholder:

(i) to cure an ambiguity, defect or inconsistency;

(ii) to comply with Article V;

(iii) to provide for uncertificated Securities in addition to or in place of certificated Securities provided that the Trustee consents to such amendment;

(iv) to comply with any requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA, as contemplated by Section 9.3 or otherwise; or

(v) to make any change that does not adversely affect the rights hereunder of any Securityholder.

After an amendment under this Section 9.1 becomes effective, the Company shall mail to Securityholders a notice briefly describing the amendment.

Section 9.2 With Consent of Holders.

Subject to Section 6.7 and with prior notice to the Securityholders, the Company, when authorized by resolution of its Board of Directors, and the Trustee may amend or supplement this Indenture or the Securities with the written consent of the Holders of at least 66-2/3% in principal amount of the then

outstanding Securities. Upon the written request of the Company signed by two

Officers, accompanied by the resolution of the Board of Directors of the Company authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Securityholders as aforesaid, the Trustee, subject to Section 9.6, shall join with the Company in the execution of such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof. An amendment under this Section may not make any change that adversely affects the rights under Article X, the definition of "Senior Indebtedness" and Sections 6.1, 6.2 and 6.9, of any holder of Senior Indebtedness unless the holders of such Senior Indebtedness pursuant to its terms consent to the change.

Before an amendment or waiver under this Section 9.2 becomes effective, the Company shall mail to the Holder of each Security affected thereby, with a copy to the Trustee, a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment or waiver. The Holders of at least 66-2/3% in principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities. However, without the consent of each Securityholder affected, an amendment under this Section may not:

(i) reduce the amount of Securities whose Holders must consent to an amendment or waiver;

(ii) reduce the rate of or change the times for scheduled payments of interest, including default interest, on any Security;

(iii) reduce the principal of or change the fixed maturity of any Security or alter the redemption or repurchase provisions with respect thereto;

(iv) make any Security payable in money other than that stated in the Security;

(v) make any change in Section 6.4, 6.7 or this Section 9.2;

(vi) make any change in this Article IX that adversely affects the rights of any Securityholders; or

(vii) waive a Default in the payment of principal of or interest on, or redemption payment with respect to, any Security.

Section 9.3 Compliance with Trust Indenture Act.

Every amendment of or supplement to this Indenture or the Securities

shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

Section 9.4 Revocation and Effect of Consents.

(a) Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives written notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Securities have consented to such amendment, supplement or waiver. An amendment, supplement or waiver becomes effective upon receipt by the Trustee of such Officers' Certificate and evidence of the consent by the Holders of the requisite percentage in principal amount of outstanding Securities.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the second and third sentences of paragraph (a) of this Section 9.4, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

(c) After an amendment, supplement or waiver becomes effective it shall bind every Securityholder.

Section 9.5 Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder and the Trustee may place an appropriate notation on any security thereafter authenticated. Alternatively, if the Company or the Trustee so determine, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

Section 9.6 Trustee to Sign Amendments, etc.

The Trustee shall sign any amendment or supplemental indenture

authorized pursuant to this Article IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive and shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or supplemental indenture is authorized or Permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms. The Company may not sign an amendment or supplemental indenture until its Board of Directors approves it.

ARTICLE X

SUBORDINATION

Section 10.1 Agreement to Subordinate.

The Company covenants and agrees, and each Securityholder by accepting a Security likewise covenants and agrees, that the payment of the principal of, interest on or any other amounts due on each Security is Subordinated in right of payment, to the extent and in the manner provided in this Article X, to the prior payment in full of all Senior Indebtedness, and that the subordination is for the benefit of the holders of Senior Indebtedness.

Section 10.2 Certain Definitions.

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior Indebtedness.

"Senior Indebtedness" means (i) all indebtedness (including Interest Swap Obligations) (present or future) created, incurred, assumed or guaranteed by the Company, and (ii) all Obligations now or hereafter existing under the Credit Agreement (including all permissible renewals, extensions, refundings or refinancings thereof), unless the instrument governing such Indebtedness expressly provides in each case that such Indebtedness is not senior or superior in right of payment to the Securities; provided, however, that any Indebtedness which is subordinated in right of payment to any other Indebtedness of the Company shall not constitute Senior Indebtedness. Notwithstanding the foregoing, Senior Indebtedness shall not include Indebtedness of the Company to any of its Subsidiaries or Indebtedness incurred for the purchase of goods or services obtained in the ordinary course of business. Notwithstanding anything contained above, all Obligations under the Credit Agreement shall be considered Senior Indebtedness.

A "distribution" may consist of cash, securities or other property, by set-off or otherwise.

Section 10.3 Liquidation; Dissolution; Bankruptcy.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property or in an assignment for the benefit of creditors or any marshalling of the assets and liabilities of the Company:

(i) holders of Senior Indebtedness shall be entitled to receive payment in full of the principal of and interest to, and all other Obligations owing in respect of, the date of payment on the Senior Indebtedness, or such payment shall first be duly provided for in cash or in a manner satisfactory to the holders of Senior Indebtedness, before Securityholders shall be entitled to receive any payment of principal of or interest on Securities and before the Company acquires any Securities for cash or property; and

(ii) until all Senior Indebtedness (as provided in subsection (i) above) is paid in full, any distribution to which Securityholders would be entitled but for this Article X shall be made to holders of Senior Indebtedness, as their interests may appear, except that Securityholders may receive securities that are subordinated to at least the same extent as the Securities are to (a) Senior Indebtedness

and (b) any securities issued in exchange for Senior Indebtedness.

Section 10.4 Default on Senior Indebtedness.

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration (unless waived) or otherwise, all such Senior Indebtedness shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made by the Company on account of the Securities or any acquisition of any of the Securities and, until the Senior Indebtedness is paid in full, any distribution to which Securityholders would be entitled but for this Article X shall be made to holders of Senior Indebtedness as their interests may appear, except that Securityholders may receive Indebtedness of the Company that is subordinated to Senior Indebtedness to at least the same extent as the Securities.

(b) During the continuance of any default relating to the payment of any Senior Indebtedness, the Company may not make any payment or distribution to the Trustee (other than payments pursuant to Section 7.7) or any Securityholder in respect of the Securities, may not acquire from the Trustee or any Securityholder any Securities for cash or property (other than in Indebtedness of the Company which is subordinated to at

least the same extent as the Securities are to (i) Senior Indebtedness and (ii) any securities issued in exchange for Senior Indebtedness), and neither the Trustee nor any Holder may collect or receive any such payment or distribution (other than payments pursuant to Section 7.7).

(c) During the continuance of any default with respect to Senior Indebtedness, other than a default relating to the payment with respect to such Senior Indebtedness, pursuant to which the maturity of such Senior Indebtedness may be accelerated, upon the occurrence of (A)(i) receipt by the Company and the Trustee of written notice of such default from the Credit Agent or (ii) if such default results from an acceleration of the Securities, the date of such acceleration, no payment, distribution or acquisition prohibited by Section 10.4(b) may be made by the Company for a period (the "Payment Blockage Period") commencing on the earlier of the date of receipt of such notice or the date of such acceleration and ending 179 days thereafter (unless such Payment Blockage Period shall be terminated by written notice to the Trustee and the Company from the Credit Agent) or (B) receipt by the Company and the Trustee of written notice of such default from the Trustee or other representative

for the holders of Specified Senior Indebtedness (or the holders of at least 25% of the principal amount of such Specified Senior Indebtedness of the Company then outstanding), no such payment, distribution or acquisition prohibited by Section 10.4(b) may be made by the Company for a Payment Blockage Period commencing on the date of the receipt of such notice and ending 119 days thereafter (unless such Payment Blockage Period shall be terminated by written notice to the Trustee from such trustee or other representative commencing the Payment Blockage Period (or the holders of at least 25% of the principal amount of such Specified Senior Indebtedness)) provided, however, that (x) no more than two Payment Blockage Periods may
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be commenced during any period of 360 consecutive days, (y) only the Credit Agent may commence the second such Payment Blockage Period during such 360 consecutive day period if the first Payment Blockage Period was commenced by or on behalf of the Specified Senior Indebtedness and (z) if the first Payment Blockage Period in a 360-day period was commenced by the Credit Agent, all scheduled payments of principal (and premium, in any) and interest due on the Securities on and prior to the date of the termination of such first Payment Blockage Period shall have been paid in full before a second Payment Blockage Period may be commenced during such 360-day period. Notwithstanding the foregoing, in no event may the total number of days during which any Payment Blockage Period or Periods may be in effect during any 360 consecutive day period exceed 179 days in the aggregate. For the purpose of this provision, no default which existed or was continuing on the date of commencement by any person of any Payment Blockage Period and of which such person had knowledge shall be the basis for the commencement of a second Payment Blockage Period by such person, unless such default shall have been cured or waived for a period of not less than 90 consecutive days. Failure to make payments required in respect of the

Securities due to the foregoing, however, will not preclude such failure from constituting an Event of Default under this Indenture.

(d) With respect to Sections 10.4(b) and (c), the Company may resume payments on and distributions in respect of the Securities and may acquire them when:

(i) the default is cured or waived, or

(ii) in the case of a default referred to in Section 10.4(c), when the Payment Blockage Period terminates, if this Article otherwise permits the payment or acquisition at the time of such payment or acquisition.

Section 10.5 Acceleration of Securities.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Indebtedness of the acceleration.

Section 10.6 When Distribution Must Be Paid Over.

In the event that the Trustee or any Securityholder receives any payment with respect to the Securities at a time when such payment is prohibited by Section 10.4 hereof, such payment shall be held by the Trustee or such Securityholder, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to the holders of the Senior Indebtedness or their Representative, as their respective interests may appear, for application with respect to Senior Indebtedness remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article X, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness.

Section 10.7 Notice by Company.

The Company shall promptly notify in writing the Trustee and Paying Agent of any facts known to the Company that would cause a payment with respect to the Securities to violate this Article, but failure to give such notice shall not affect the subordination of the Securities to the Senior Indebtedness provided in this Article.

Section 10.8 Distribution or Notice to Representative.

Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article X, the Trustee and the Securityholders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other person making any distribution to the Trustee

or to the Securityholders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article X.

Section 10.9 Rights of Holders of Senior Indebtedness Not to Be Impaired.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act in good faith by any such holder, or by any noncompliance by the Company, with the terms and provisions and covenants herein regardless of any knowledge thereof any such holder may have or otherwise be charged with or by any action or failure to act of the Company.

The provisions of this Article X are intended to be for the benefit of, and shall be enforceable directly by, the holders of the Senior Indebtedness, without any act or notice of acceptance hereof or reliance hereon.

Section 10.10 Authorization to Trustee to Take Action to Effectuate Subordination.

Each Holder of Securities by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate, as between the holders of Senior Indebtedness and the Holders, the subordination as provided in this Article X and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 10.11 Subrogation.

Upon the payment in full of all amounts payable under or in respect of the Senior Indebtedness, the Holders shall be subrogated to the rights of the

holders of such Senior Indebtedness to receive payments or distributions of assets of the Company made on such Senior Indebtedness until the Securities shall be paid in full; and for the purposes of such subrogation, no payments or distributions to holders of such Senior Indebtedness of any cash, property or securities to which Holders of the Securities would be entitled except for the provisions of this Article X, and no payment over pursuant to the provisions of this Article X to holders of such Senior Indebtedness by the Holders, shall, as between the Company, its creditors other than

holders of such Senior Indebtedness and the Holders, be deemed to be a payment by the Company to or on account of such Senior Indebtedness, it being understood that the provisions of this Article X are solely for the purpose of defining the relative rights of the holders of such Senior Indebtedness, on the one hand, and the Holders, on the other hand.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article X shall have been applied, pursuant to the provisions of this Article X, to the payment of all amounts payable under the Senior Indebtedness, then and in such case, the Holders shall be entitled to receive from the holders of such Senior Indebtedness at the time outstanding any payments or distributions received by such holders of Senior Indebtedness in excess of the amount sufficient to pay all amounts payable under or in respect of the Senior Indebtedness in full.

Section 10.12 Obligations of Company Unconditional.

Nothing contained in this Article X or elsewhere in this Indenture or in any Security is intended to or shall impair, as between the Company and the Holders, the obligations of the Company, which are absolute and unconditional, to pay to the Holders the principal of and interest on the Securities as and when the same shall become due and payable in accordance with their terms or is intended to or shall affect the relative rights of the Holders and creditors of the Company other than the holders of the Senior Indebtedness and nothing contained herein or therein shall prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon Default under this Indenture, subject to the rights, if any, under this Article X of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

The failure to make a payment on account of principal of or interest on the Securities by reason of any provision of this Article X shall not be construed as preventing the occurrence of an Event of Default under Section 6.1.

Section 10.13 Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice.

Neither the Trustee nor the Paying Agent shall at any time be charged

with the knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee or the Paying Agent, unless and until a Responsible

Officer of the Trustee or Paying Agent shall have received written notice thereof from the Company or one or more holders of Senior Indebtedness or from any Representative therefor; and, prior to the receipt of any such written notice, the Trustee or Paying Agent shall be entitled to assume conclusively that no such facts exist. Unless at least three Business Days prior to the date on which by the terms of this Indenture any moneys are to be deposited by the Company with the Trustee or any Paying Agent (whether or not in trust) for any purpose (including, without limitation, the payment of the principal or the interest on any Security), the Trustee or Paying agent shall have received with respect to such moneys the written notice provided for in the preceding sentence, the Trustee or Paying Agent shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date. Nothing contained in this Section 10.13 shall limit the right of the holders of Senior Indebtedness to recover payments as contemplated elsewhere in this Article X. The Trustee shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself or itself to be a holder of such Senior Indebtedness (or a trustee on behalf of, or other representative of, such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee on behalf of any such holder.

Section 10.14 Right of Trustee to Hold Senior Indebtedness.

Subject to Sections 310(b) and 311 of the TIA, the Trustee and any Agent shall be entitled to all of the rights set forth in this Article X in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of such Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee or any Agent of any of its rights as such holder.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 11.2 Notices.

Any notice or communication to the Company or the Trustee is duly given if in writing and delivered in person or transmitted by first-class mail (registered or certified, return receipt requested) or by telecopier (confirmed by first-class mail) or overnight air courier guaranteeing next day delivery to the address set forth below:

If to the Company:

Alco Health Services Corporation
P.O. Box 959
Valley Forge, PA 19482
Attention: Treasurer
Telecopy No.: (215) 647-0141

with a copy to:

Dechert Price & Rhoads
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Attention: Craig L. Godshall, Esq.
Telecopy No.: (215) 994-2222

If to the Trustee:

Bankers Trust Company
Four Albany Street
New York, New York 10006
Attention: Corporate Trust and Agency Group
Telecopy No.: (212) 250-6961

If to the Credit Agent:

General Electric Capital Corporation
501 Merritt Seven, Third Floor
Norwalk, Connecticut 06851
Attention: Mr. Charles D. Chiodo
Telecopy No.: (203) 840-4560

with a copy to:

Murphy, Weir & Butler
101 California Street
39th Floor
San Francisco, CA 94111
Attention: Dick M. Okada, Esq.
Telecopier No.: (415) 421-7879

The Company, or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder or any defect in such notice or communication shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed or sent in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it, except that notice to the Trustee or the Company shall only be effective upon receipt thereof by the Trustee or the Company.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 11.3 Communication by Holders with Other Holders.

Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 11.4 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action or omit to take any action under this Indenture, the Company shall deliver to the Trustee:

(i) an Officers' Certificate (which shall include the statements set forth in Section 11.5) stating that, in the opinion of the signers, all conditions precedent and covenants, compliance with which constitutes a condition precedent, if any, provided for in this Indenture relating to the proposed action or inaction, have been complied with; and

(ii) an Opinion of Counsel (which shall include the statements set forth in Section 11.5) stating that, in the opinion of such counsel, all such conditions precedent and covenants, compliance with which constitutes a condition

precedent, if any, provided for in this Indenture relating to the proposed action or inaction have been complied with and that any such action or inaction is in compliance with all applicable law.

Section 11.5 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that the Person making such certificate or opinion has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 11.6 Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 11.7 Legal Holidays.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 11.8 Duplicate Originals.

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

Section 11.9 Governing Law.

The laws of the State of New York shall govern this Indenture and the Securities, without regard to the conflicts of laws rules thereof. The Trustee, the Company and the Securityholders agree to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Indenture or the Securities.

Section 11.10 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any Subsidiary. No such indenture, loan or debt agreement may be used to interpret this Indenture.

Section 11.11 Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.12 Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.13 No Recourse Against Others.

No director, officer, employee, stockholder or affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder, by accepting a Security, waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

Section 11.14 Table of Contents, Headings, etc.

The Table of Contents, Cross Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be

considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.15 Counterpart Originals.

This Indenture may be signed in two or more counterparts. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 11.16 Benefits of Indenture.

Nothing in this Indenture or the Securities, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, the holders of Senior Indebtedness and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.17 Qualification of Indenture.

The Company shall qualify this Indenture under the TIA and shall pay all costs and expenses (including reasonable attorneys' fees for the Company, the Trustee and the Holders of the Securities) incurred in connection therewith, including, but not limited to, costs and expenses of qualification of the Indenture and the Securities and printing or otherwise preparing this Indenture and the Securities. In connection with any such qualification of this Indenture under the TIA, the Trustee shall be entitled to receive from the Company any such Officers' Certificate, Opinions of Counsel or other documentation as it may reasonably request.

Section 11.18 [Intentionally Omitted.]

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

ALCO HEALTH SERVICES CORPORATION

By:

Name:
Title:

Attest:

- ---
Name:
Title:

(SEAL)

BANKERS TRUST COMPANY, as Trustee

By:
Attest: ----------
Name:
Title:

- ----------
Name:
Title:

(SEAL)

EXHIBIT A

(FORM OF FACE OF NOTE)

ALCO HEALTH SERVICES CORPORATION

No. _____ $_____

14-1/2% Senior Subordinated Note due 1999, Series A

Alco Health Services Corporation, a Delaware corporation, promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on the date of maturity.

Interest Payment Dates: September 15 and March 15

Record Dates: September 1 and March 1

Date of Maturity: September 15, 1999

ALCO HEALTH SERVICES CORPORATION

By

By

(SEAL)

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

This is one of the Notes
described in the within-mentioned
Indenture.

Bankers Trust Company, as Trustee Original Issuance Date:

By

Authorized Signature

(Back of Note)

ALCO HEALTH SERVICES CORPORATION
14-1/2% Senior Subordinated Note due 1999, Series A

1. General. This Note is one of the Notes issued by the Company under an Indenture dated as of March __, 1994 (the "Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture. The Notes are subject to all such terms, and Noteholders are referred to the Indenture and such Act for a statement of such terms. All capitalized terms not defined herein shall have the meanings assigned to such terms in the Indenture. The Notes are general obligations of the Company.

2. Interest. The Company will pay interest semiannually on September 15 and March 15 of each year or if any such date is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"); provided that the first Interest Payment Date shall be September 15, 1994.
Interest on this Security will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance of this Security through but excluding the date on which interest is paid. The Company shall pay interest on overdue principal and, to the extent lawful, on overdue installments of interest (without regard to any applicable grace periods) at the rate of interest specified in the Indenture. Interest

will be computed on the basis of twelve 30-day periods in a 360-day year.

3. Method of Payment. The interest so payable, and punctually paid or duly provided for, shall be paid to the person in whose name this Security is registered at the close of business on the regular record date, which shall be the September 1 and March 1 (whether or not a Business Day) (each a "regular record date"), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for, and any interest payable on such defaulted interest (to the extent lawful), will forthwith cease to be payable to the Holder on such regular record date and shall be paid on a date which is a Business Day to the person in whose name this Security is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Company, notice of which shall be given to Holders not less than 15 days prior to such special record date. Payment of the principal of and interest on this Security will be

made at the offices or agencies of the Company maintained for that purpose; provided, however, that payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Security register maintained by the Registrar or, in certain circumstances, by wire transfer in accordance with the instruction of the Holder hereof, as specified in the Indenture. The Company will pay principal (and premium, if any) and interest in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

4. Paying Agent and Registrar. Initially, the Trustee shall act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without notice to any Holder of a Note ("Noteholder"). The Company or any of its Subsidiaries or Affiliates may act in any such capacity.

5.(a) Optional Redemption. The Notes are subject to redemption on or after September 15, 1994, at the option of the Company, upon at least 30 days', but no more than 60 days' prior written notice by mail, in whole or in part, at the following prices plus accrued and unpaid interest if redeemed during the 12-month period beginning September 15 of the years indicated below.

<TABLE>
<CAPTION>

Year	Percentage
<S>	<C>
1994	106.00%
1995	104.00%
1996	102.00%
1997 and thereafter	100.00%

</TABLE>

The redemption price of the Securities will be payable together with accrued interest thereon to the redemption date; provided, however, that
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interest installments with respect to which the Interest Payment Date is on or prior to such redemption date which will be payable to the Holders of record at the close of business on the relevant record dates referred to herein, all as provided in the Indenture. On and after the redemption date, interest will cease to accrue on the Securities or portions thereof called for redemption.

Securities in denominations larger than $1,000 may be redeemed in part in integral multiples of $1,000. In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

(b) Mandatory Redemption or Repurchase. If, for the 12-month period
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ending on each of August 31, 1996 and 1997, the Company's Consolidated Fixed Charge Ratio (as defined) exceeds 1.5 to 1, the Company shall be required, within 90 days from such August 31 (the "Repurchase Date"), to redeem or otherwise repurchase in the open market and retire 5% and 10%, respectively, of the principal amount of Notes offered hereby. Notwithstanding the requirement of the preceding sentence, the Company shall not be required to make such redemption or repurchase until such time, and to the extent, funds become available under the Credit Agreement or any successor or replacement facility. In addition, the Company shall redeem on August 31, 1998 $87,500,000 in aggregate principal amount of the Notes at a Redemption Price of 100% of the principal amount plus all accrued and unpaid interest, if any, to the Redemption Date. The Company may reduce the principal amount of Notes to be redeemed or otherwise repurchased, as the case may be, pursuant to this paragraph by subtracting 100% of the principal amount of any Notes that the Company has previously acquired and surrendered for cancellation or that the Company has repurchased or redeemed on or prior to the Redemption Date or the Repurchase Date and, in the case of a mandatory repurchase, which have not previously been used as a credit against a prior mandatory repurchase. If the Redemption Date is subsequent to a record date with respect to any Interest Payment Date and on or prior to such Interest Payment Date, then such accrued interest, if any, shall be paid to the Person who surrenders the Note for redemption (and not the Holder as of the record date with respect to such Interest Payment Date), and no other interest shall be payable thereon. The Company shall deliver to the Trustee, it least 45 days prior to the Redemption Date, an Officers' Certificate setting forth the amount of any reductions of the principal amount of Notes to be redeemed, calculated pursuant to this paragraph 5(b).

6. Offers to Repurchase. Under certain circumstances if the Company
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or any Subsidiary sells any Business Segment, the Company may elect to make an offer to repurchase a portion of the Notes at the redemption date.

7. Change of Control. If, at any time, (i) any issuance of shares of capital stock of Holdings or any sale, transfer or other disposition of any shares of capital stock of Holdings or the Holdings Debentures by any Person to any Person (other than an affiliate of CVCL or an officer, director or employee of CVCL or Alco) results in CVCL, its affiliates and officers, directors and employees of CVCL and Alco holding less than 50% of either (a) the total common equity interest in Holdings or the total voting power of all the outstanding shares of capital stock of Holdings entitled to vote in the election of

directors of Holdings or (b) the aggregate principal amount outstanding of Holdings Debentures or Refinancing Debentures, as the case may be, or (ii) Holdings owns less than 80% of the outstanding shares of voting stock of the Company (each, a "Change of Control"), each holder of Notes shall have the right to require that the Company repurchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, in accordance with the terms contemplated in Section 4.21(b) of the Indenture; provided, however, that a Change of Control pursuant to clause (i) of this sentence will be deemed not to have occurred if, at the time of any such issuance, sale, transfer or disposition, the Consolidated Fixed Charge Ratio is greater than 1.5 to 1. The Company hereby covenants that, prior to the mailing of the notice to holders provided for in Section 4.21(b) of the Indenture, it will repay in full all Indebtedness under the Credit Agreement or offer to repay in full all such Indebtedness and to repay the Indebtedness of each lender who has accepted such offer. The Company shall first comply with the covenant in the preceding sentence before the Company shall be required to repurchase Notes pursuant to the above provisions.

8. Denominations, Transfer, Exchange. The Notes are in registered form without coupons. The Notes issued on the date hereof shall be issued in principal amounts of $1,000 and integral multiples thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Note or portion of a Note selected for redemption (except the unredeemed portion of any Note being redeemed in part). Also it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed.

9. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

10. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall

pay the money back to the Company at its written request. After that, Noteholders entitled to the money must look to the Company for payment unless an abandoned property law designates another person and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

11. Discharge Prior to Redemption or Maturity. The Company shall be discharged from the Indenture and the Notes, except for certain sections thereof, subject to the terms of the Indenture, upon the payment of all of the Securities or, within six months of the maturity or redemption date of all of the Securities, upon the irrevocable deposit with the Trustee of funds or U.S. Government Obligations sufficient for such payment or redemption.

12. Subordination. The Notes will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Indenture) of the Company. To the extent and in the manner provided in the Indenture, Senior Indebtedness must be paid before any payment may be made to any holder of this Note. Any Noteholder by accepting this Note agrees to the subordination and authorizes the Trustee to give it effect.

13. Defaults and Remedies. Events of Default include:

(i) a failure of the Company to pay interest for 30 days after it is due or principal when due on any Note (whether or not prohibited by the subordination provision); (ii) a failure of the Company to comply in any material respect with any of its other agreements or covenants, or provisions of, the Notes or the Indenture (including, without limitation, the Company's covenant to repay or offer to repay Indebtedness under the Credit Agreement under the circumstances described in the Change of Control provisions of Section 4.21 of the Indenture) for 30 days after notice; (iii) the happening of a default under the terms of an instrument evidencing or securing any Indebtedness of the Company or a subsidiary of the Company (or the payment of which is guaranteed by the Company or a Subsidiary of the Company), in an amount or amounts over $10 million in the aggregate whether such Indebtedness or guarantee now exists or shall be created hereafter, and such default results in the acceleration of such Indebtedness which, together with the principal amount of any such other Indebtedness so accelerated, and then remaining unsatisfied, and in respect of which such acceleration has not been rescinded, aggregates in excess of $10 million; (iv) the rendering of a final judgment against the Company or any Subsidiary in an amount in excess of $10 million, which remains undischarged, unbonded or unstayed for a period of 60 days; or (v) certain events of bankruptcy, insolvency or reorganization.

The Indenture provides that the Trustee will, within 30 days after the occurrence of a Default, give the Noteholders notice of all Defaults known to it (the term "Default" to include the events specified above, without grace or notice), provided that, except in the case of a Default in the payment of principal

of or interest on any of the Notes, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Noteholders.

In case an Event of Default (other than an Event of Default specified in clause (v) or (vi) of Section 6.1 with respect to the Company) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to the Company (and to the Trustee if given by the Noteholders), may declare to be due and payable immediately, the principal amount of the Notes then outstanding and accrued interest to the date of acceleration and upon any such declaration the same shall become and shall be immediately due and payable. If an Event of Default specified in clause (v) or (vi) of Section 6.1 with respect to the Company occurs, all principal of and accrued but unpaid interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without
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any declaration or other act on the part of the Trustee or any Holder.

Such declaration may be rescinded by Holders of a majority in principal amount of then outstanding Notes if all existing Events of Default have been cured or waived (except non-payment of principal or accrued but unpaid interest on the Notes that has become due solely because of the acceleration); if interest on overdue installments of interest and overdue principal, which has become due otherwise than by acceleration, has been paid (to the extent the payment of such interest is lawful), if the rescission would not conflict with any judgment or decree of a court of competent jurisdiction and if certain other conditions under the Indenture are met.

Defaults and Events of Default (except a Default in payment of principal of or interest on the Notes) may be waived by the Holders of a majority in principal amount of outstanding Notes upon the conditions provided in the Indenture.

The Indenture requires the Company to file periodic reports with the Trustee as to the absence of Defaults.

14. Amendments and Waivers. Subject to certain exceptions, the
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Indenture or the Notes may be amended with the written consent of the Holders of at least 66-2/3% in principal amount of the then outstanding Notes, and any existing default may be waived with the consent of the Holders of at least 66-2/3% in principal amount of the then outstanding Notes. Without the consent of any Noteholder, the Indenture or the Notes may be amended to cure any ambiguity, defect or inconsistency, to provide for the assumption of the obligations of the Company

under the Indenture by a successor corporation, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Noteholder.

15. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

16. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Noteholder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

17. Agreement on Issue Price. In addition, by accepting the Security, each holder agrees with the Company for purposes of Section 1273(c)(2) of the Internal Revenue Code of 1986, as amended, that with respect to the Securities (A) the discount rate referred to in proposed Treasury Regulation (S) 1.1273-2(d)(2)(iv) is equal to that discount rate produced by the sale of the Notes at 100% of their face amount and (B) the issue price determined as provided in proposed Treasury Regulation (S) 1.1273-2(d)(2)(iv) is equal to 100% of the principal amount thereof.

18. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

19. Abbreviations. Customary abbreviations may be used in the name of a Noteholder or an assignee, such as: TEN COM (A tenants in common), TEN ENT (A tenants by the entireties), JT TEN (A joint tenants with right of survivorship and not as tenants in common), CUST (A Custodian), and U/G/M/A (A Uniform Gifts to Minors Act).

20. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes as a convenience to the holders of such Notes. No representation is made as to the accuracy of such numbers as printed on the Notes, and reliance may be placed only on the other identification numbers printed hereon.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

- _____
(Insert assignee's social security or tax I.D. no.)

- _____

- _____

- _____

- _____
(Print or type assignee's name, address and zip code)

and irrevocably appoint
_____
agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

- _____
(Sign exactly as your name appears on the other side of this Note)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.8 of the Indenture, check the box [_]

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 3.8 of the Indenture, state the amount you elect to have purchased:
$_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Note.)

Alco Health Services Corporation

Offer to Exchange

$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999, Series A
and $2.50 Cash for Each
$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999

Alco Health Services Corporation (the "Company") hereby offers upon the terms and subject to the conditions set forth in this Exchange Offer Circular (the "Offering Circular") and in the accompanying Letter of Transmittal, as the same may be amended from time to time (the "Exchange Offer"), to exchange $1,000 principal amount of its 14-1/2% Senior Subordinated Notes Due 1999, Series A (the "New Notes") and $2.50 cash (the "Cash Consideration") for each $1,000 principal amount of 14-1/2% Senior Subordinated Notes Due 1999 (the "Existing Notes").

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 30, 1994 UNLESS EXTENDED (THE "EXPIRATION DATE"). EXISTING NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN, SUBJECT TO THE PROCEDURES DESCRIBED HEREIN, AT ANY TIME BEFORE THEY ARE ACCEPTED FOR EXCHANGE BY THE COMPANY.

THE EXCHANGE OFFER IS CONDITIONED, AMONG OTHER THINGS, UPON (A) THE COMPANY'S SATISFACTION WITH CORRESPONDING CHANGES IN THE TERMS OF ITS CREDIT AGREEMENT (AS DEFINED HEREIN) AND (B) QUALIFICATION OF THE NEW INDENTURE (AS DEFINED HEREIN) UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. SEE "TENDERING PROCEDURES -- CONDITIONS."

SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH THE EXCHANGE OFFER. SEE "PURPOSES AND EFFECTS OF THE EXCHANGE OFFER" FOR A DISCUSSION OF CERTAIN CONSEQUENCES TO NON-TENDERING HOLDERS OF EXISTING NOTES.

Interest will accrue from (but not including) the Closing Date (as defined herein) on the New Notes at the rate of 14-1/2% per annum. Interest on the New Notes will be payable on September 15 and March 15 of each year, commencing September 15, 1994. On the Closing Date, the Company will pay to tendering holders all interest accrued through (and including) the Closing Date on Existing Notes tendered and accepted for exchange.

This Offering Circular does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or buy, any securities other than the securities covered by this Offering Circular, or any such offer or solicitation

of such securities in any state or other jurisdiction to any person to whom it is unlawful to make any such offer or solicitation. In any state or other jurisdiction where it is required that the securities offered by this Offering Circular be qualified for offering in such state or jurisdiction, no offer is hereby being made to, and exchanges will not be accepted from, residents of any such state or jurisdiction unless and until such requirements have been satisfied.

The Company reserves the right to waive any of the conditions to the Exchange Offer. See "TENDERING PROCEDURES -- Conditions."

NEITHER THIS TRANSACTION NOR THE SECURITIES OFFERED HEREBY HAVE BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Circular is first being mailed to holders of Existing Notes on March 1, 1994.

The Exchange Offer is being made by the Company in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Section 3(a)(9) thereof. The Company will not pay any commission or other remuneration to any broker, dealer, salesman or other person for soliciting exchanges of the Existing Notes. Regular employees of the Company may solicit exchanges from holders of the Existing Notes and will answer inquiries concerning the Exchange Offer, but they will not receive additional compensation therefor.

The Company has made no arrangements for and has no understanding with any dealer, salesman or other person regarding the solicitation of tenders hereunder, and no person has been authorized to give any information or to make any representation in connection with the Exchange Offer not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any other person. Neither the delivery of this Offering Circular nor any exchange or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as of which information is given herein.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files periodic reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information filed with the Commission can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549,

and at the Commission's regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511, and 75 Park Place, New York, New York 10007. Copies of such material can also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such material may also be obtained from the Company upon request to the Company at its principal executive office.

The Company has also filed with the Commission an application on Form T-3 to qualify the indenture pursuant to which the New Notes are to be issued (the "New Indenture") under the Trust Indenture Act of 1939, as amended. The Form T-3 contains additional information concerning the New Indenture. Such document and any amendments thereto may be examined and copies may be obtained from the Commission in the manner set forth above. Copies of the New Indenture and the Existing Indenture (as defined herein) are available upon request from the Company, at its principal executive office.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents (or portions thereof) filed by the Company with the Commission are incorporated in this Offering Circular by reference and shall be deemed to be a part hereof:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended September 30, 1993, as filed with the Commission on December 29, 1993, including the financial statements included therein (the "1993 Form 10-K") which (excluding exhibits) is attached hereto as Annex I; and

2. The Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 1993, as filed with the Commission on or about February 8, 1994 (the "December 31, 1993 Form 10-Q") which is attached hereto as Annex II.

Any statement contained in any document incorporated by reference or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein modifies or supersedes such statement.

Any such statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Offering Circular.

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SUMMARY

The following is a summary of certain features of the Exchange Offer and other matters. All statements contained herein are qualified in their entirety by the more detailed information included herein and by the more detailed information and the financial statements, including the notes thereto, included in the 1993 Form 10-K and December 31, 1993 Form 10-Q included herein as Annex I and II, respectively, or incorporated therein by reference. The following summary should be read only in conjunction with the entire Offering

Circular and documents incorporated by reference. Investors should carefully consider the information set forth under the heading ``Risk Factors.''

The Company

Alco Health Services Corporation (the "Company"), is one of the four largest, full-service drug wholesalers in the United States, currently operating 15 full-service drug wholesale distribution facilities and one specialty products distribution facility. Approximately 90% of fiscal 1993 revenues of $3.7 billion was attributable to sales of ethical pharmaceuticals. The remainder was comprised of sales of health and personal care products, cosmetics and fragrances, home health care supplies and general merchandise. The Company services, often on a daily basis, over 16,000 customers in 34 states. These customers include hospitals, independent community pharmacies, chain drug stores, nursing homes, clinics and others. No single customer accounted for more than 8% of the Company's revenues during fiscal 1993.

The Company has benefited from the dramatic growth of the full-service drug wholesale industry in the United States. Industry sales grew at a compound rate of approximately 15%, from $10.2 billion in 1982 to $41.2 billion in 1992. As both manufacturers and customers increased their reliance on drug wholesalers in order to improve distribution and inventory efficiencies, the percentage of total pharmaceutical sales through wholesale drug distributors increased from approximately 59% in 1981 to approximately 77% in 1992 and is projected to increase to 85% by the year 2000. In addition to this increased reliance on distributors, sales of pharmaceuticals have also increased due to the aging of the population, the use of new and more expensive pharmaceuticals, and the use of outpatient drug therapies in lieu of longer, more expensive hospital stays.

The Company's business strategy is: (i) to increase its market share in current customer segments including hospitals and managed care providers; (ii) to improve operating efficiencies through additional facility consolidations and enhancements of management information systems; (iii) to target growth opportunities by pursuing new types of customers (including the Veterans' Administration and other governmental entities) and new facility locations (such as the new facility the Company recently opened in the Dallas/Fort Worth vicinity); and (iv) to improve working capital and asset management. The Company believes it is one of the leaders in serving the hospital market and believes this market offers substantial future growth opportunities.

The Company's operating strategy is to maintain its long-standing structure as an organization of decentralized operating units. This structure provides local management with the discretion to set operating policies and to respond to customers' needs quickly and efficiently. In addition, the Company will continue to offer its customers services that assist in pricing and inventory management, and will maintain an above-industry-average number of inventory items or stock keeping units, to facilitate a high order fill-rate and faster product delivery.

The business of the Company is discussed in the 1993 Form 10-K. That

discussion does not reflect the Exchange Offer and should therefore be read in conjunction with the information contained in "PURPOSES AND EFFECTS OF THE EXCHANGE OFFER."

The outstanding common stock of the Company is 100% owned by Alco Health Distribution Corporation ("Holdings"). The address of the principal executive office of the Company is P.O. Box 959, Valley Forge, Pennsylvania 19482, and its telephone number is (610) 296-4480.

The Exchange Offer

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General	$1,000 principal amount of New Notes and Cash Consideration of $2.50 cash in exchange for each $1,000 principal amount of Existing Notes.
Expiration Date	With respect to the Exchange Offer, the term "Expiration Date" shall mean 5:00 p.m., New York City time, on March 30, 1994, unless the Company, in its sole discretion, extends such Exchange Offer in which case the term "Expiration Date" for the Exchange Offer shall mean 5:00 p.m., New York City time on the last date to which the Exchange Offer is extended. See "TENDERING PROCEDURES -- Expiration Date; Extensions; Amendments."
Interest on New Notes	Interest will accrue from (but not including) the Closing Date on the New Notes at the rate of 14-1/2% per annum. Interest on the New Notes will be payable on September 15 and March 15 of each year, commencing September 15, 1994.
Interest on Existing Notes	On the Closing Date, the Company will pay to tendering holders all interest accrued through (and including) the Closing Date on Existing Notes tendered and accepted for exchange.
Principal Amount of Existing Notes	As of March 1, 1994, there were outstanding approximately $166.1 million aggregate principal amount of Existing Notes.

Conditions to Exchange Offer.....	The Exchange Offer is conditioned, among other things, on (a) the Company's satisfaction with corresponding changes in the terms of its Credit Agreement and (b) the qualification of the New Indenture under the Trust Indenture Act of 1939, as amended. The Company has reserved the right to waive any one or more of these conditions. See "TENDERING PROCEDURES -- Conditions."
Federal Income Tax Consequences.....	For a discussion of certain federal income tax consequences of the Exchange Offer (a) to tendering and non-tendering holders of Existing Notes and (b) to the Company, see "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS."
Market and Trading Information.....	The New Notes will not be listed on any exchange. There can be no assurance that an active market for New Notes will develop and no

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	assurance can be given as to the prices at which they might be traded. See "RISK FACTORS."
Information Agent.....	Kissel-Blake Inc. is serving as Information Agent in connection with the Exchange Offer. Any questions regarding how to tender in the Exchange Offer and any requests for additional copies of this Offering Circular or Letter of Transmittal should be directed to the Information Agent at its address and telephone number set forth on the back of this Offering Circular.
Depositary.....	Bankers Trust Company has been appointed as Depositary for the Exchange Offer (the "Depositary").

	Questions and requests for assistance may be directed to the Depositary at one of its addresses and telephone numbers set forth on the back cover of this Offering Circular.

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Tendering Procedures

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How to Tender in the Exchange Offer...	Only registered holders of Existing Notes or persons who have obtained a properly completed bond power from the registered holders thereof, may tender in the Exchange Offer. Any beneficial holder whose Existing Notes are registered or held of record in the name of such holder's broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Existing Notes should contact such holder of record and instruct such holder to tender Existing Notes. A registered holder electing to tender Existing Notes in the Exchange Offer should either (a) complete and sign the Letter of Transmittal, have the signatures thereon guaranteed if required by Instruction 3 thereof and mail or deliver such Letter of Transmittal together with the Existing Notes and any other required documents to the Depositary at one of the addresses set forth on the back cover page of this Offering Circular, or effect a tender of Existing Notes pursuant to the procedures for book-entry transfer of Existing Notes as set forth under "TENDERING PROCEDURES -- How to Tender" or (b) request such holder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction. Holders will not be obligated to pay any brokerage

	commissions or solicitation fees in connection with the Exchange Offer. See "TENDERING PROCEDURES -- How to Tender."
Withdrawal Rights.....	Tenders of Existing Notes may be withdrawn, subject to the procedures described herein, at any time before they are accepted for exchange by the Company. See "TENDERING PROCEDURES -- Withdrawal of Tenders."
Acceptance of Existing Notes and Delivery of New Notes and Cash Consideration.....	Subject to the satisfaction or waiver of all conditions to the Exchange Offer, the Company will accept all Existing Notes validly tendered on or prior to the Expiration Date. The New Notes and the Cash Consideration will be delivered in exchange for the Existing Notes accepted in the Exchange Offer promptly after acceptance on the Expiration Date. The New Notes will be available only in registered form, without coupons and only in denominations of $1,000 and any integral multiple thereof.

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Comparison of Existing Notes to New Notes

The following is a brief comparison of certain provisions of the Existing Notes and the New Notes. Material provisions not referenced herein are substantially similar in the Existing Indenture and the New Indenture. The following comparison of such provisions does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Existing Notes and the New Notes and the Indentures pursuant to which such securities were or will be issued. See "DESCRIPTION OF NEW NOTES" and "DESCRIPTION OF EXISTING NOTES."

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	Existing Notes	New Notes
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Aggregate Principal Amount	$166.1 million as of March 1, 1994	Up to $166.1 million
Maturity Date	September 15, 1999	Same.
Interest	14-1/2% per annum, payable in cash on March 15 and September 15 of each year	14-1/2% per annum, payable in cash on September 15 and March 15 of each year, commencing September 15, 1994.
Mandatory Redemption or Repurchase	If, for the 12 month period ending on each August 31, 1996 and 1997 the Company's Consolidated Fixed Charge Ratio exceeds 1.5 to 1, the Company shall be required, within 90 days from such August 31, to redeem or otherwise repurchase in the open market and retire 5% and 10%, respectively, of the principal amount of the Existing Notes. Notwithstanding the requirement in the preceding sentence, the Company shall not be required to make such redemption or repurchase until such time, and to the extent, funds become available under the Credit Agreement or any successor or replacement facility. In addition, a single mandatory redemption payment on August 31, 1998 is calculated to retire 50% of the aggregate principal amount of the Existing Notes prior to maturity. The Company, at its option, may reduce the principal amount of Existing Notes required to be redeemed or repurchased, as the case may be, on each	Same, except that the New Indenture does not require the Company to make an offer to purchase New Notes if the Company's Consolidated Net Worth falls below a certain specified level.

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	Repurchase Date or Redemption Date by subtracting 100% of the principal amount of the Existing Notes that the Company has delivered to the trustee under the Existing Indenture for cancellation or that the Company has repurchased on or prior to the Repurchase Date or Redemption Date, as the case may be, and, in the case of a mandatory repurchase, which have not previously been used as a credit against a prior mandatory repurchase. In addition, the Existing Indenture requires the Company to make an offer to purchase Existing Notes if (i) the Company's Consolidated Net Worth falls below a certain specified level, (ii) the Company or a Subsidiary consummates an Asset Sale at certain times or (iii) a Change of Control occurs at certain times.

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RISK FACTORS

In deciding whether to tender Existing Notes in the Exchange Offer, each holder of Existing Notes should consider carefully, among other factors, the following:

High Leverage and Ability to Service Debt; Refinancing Risk

Following the Exchange Offer the Company will remain substantially leveraged. At December 31, 1993, after giving effect to the Exchange Offer, the Company's total consolidated long-term indebtedness would have been approximately $459.2 million, and its stockholders' equity (deficit) would have been $(3.5) million. For fiscal 1993, after giving effect to the Exchange Offer, the Company's ratio of earnings to fixed charges on a pro forma basis would have been 1.40 to 1. Included in pro forma earnings are non-cash charges for depreciation and amortization of $11.3 million. The degree to which the Company is leveraged could have important consequences to holders of the New Notes, including the following, any of which could affect the Company's ability to make payments with respect to the New Notes: (i) the Company's significant degree of leverage could make it vulnerable to changes in general economic conditions or increases in prevailing interest rates; and (ii) the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

The Company's ability to make principal and interest payments under the Credit Agreement, on the Existing Notes, and on the New Notes and to make payments to Holdings to pay cash interest on Holdings' 11-1/4% Senior Debentures due 2005 (the "Holdings Debentures"), to make the mandatory redemption of Holdings Debentures on January 14, 1999 and to repay the Holdings Debentures at maturity will be dependent on the Company's future operating performance, which is itself dependent on a number of factors many of which are beyond its control, and the availability of revolving credit borrowings. Based upon current operations and anticipated growth, the Company does not expect that it will meet the tests in the Existing Indenture or New Indenture that would allow the Company to advance funds to Holdings sufficient to satisfy the mandatory redemption obligation of the Holdings Debentures on January 14, 1999. Accordingly, Holdings and the Company expect that they will be required to refinance the Existing Notes and the New Notes (or the Holdings Debentures) prior to January 14, 1999 or sell equity or assets to fund the repayment of the Existing Notes and the New Notes (or the Holdings Debentures) or to fund the redemption obligation, or effect a combination of the foregoing. While Holdings and the Company believe they will be able to refinance the Existing Notes and the New Notes (or the Holdings Debentures), or raise sufficient funds through equity or asset sales to fund the repayment of such indebtedness or the payment of the redemption obligation, or effect a combination of the foregoing, there can be no assurance that Holdings and the Company will be able to do so.

The Company will be required to refinance the Credit Agreement upon its maturity on April 1, 1996, which is prior to the maturity of the Existing Notes, the New Notes and the Holdings Debentures. The Indenture for the Holdings Debentures and the Existing Indenture and New Indenture each permit the Company to refinance the Credit Agreement. The Company's ability to make principal and interest payments on the Existing Notes and the New Notes and to make payments to Holdings to pay cash interest on the Holdings Debentures, to make the mandatory redemption of Holdings Debentures on January 14, 1999 and to repay the Holdings Debentures at maturity will be dependent on the Company's ability to refinance the Credit Agreement. While the Company and Holdings believe that they will be able to refinance the Credit Agreement, there can be no assurance

that the Company or Holdings will be able to do so.

Subordination

The New Notes will be subordinate in right of payment to all Senior Indebtedness (as herein defined), including the Company's obligations under the Credit Agreement ("Bank Debt") and all other Indebtedness (as herein defined)

(other than Indebtedness which, by its terms, ranks equal or junior in right of payment to the New Notes or is subordinated to other Indebtedness) incurred, assumed or guaranteed by the Company. By reason of such subordination, in the event of the insolvency, liquidation, reorganization, dissolution or other winding-up of the Company or upon the acceleration of the New Notes or any Senior Indebtedness, the senior lenders under the Credit Agreement and other creditors who are holders of Senior Indebtedness must be paid in full before the holders of the Notes may be paid. Under certain circumstances, the holders of Senior Indebtedness may block payments by the Company on the New Notes. On the Closing Date, the Bank Debt is expected to be the only Senior Indebtedness. The Holdings Debentures do not constitute Senior Indebtedness. As of December 31, 1993, outstanding Senior Indebtedness of the Company was approximately $291.5 million. See "DESCRIPTION OF NEW NOTES - Subordination."

Under the terms of the Credit Agreement, the Bank Debt is secured by substantially all the assets of the Company and its subsidiaries. If an event of default occurs under the Credit Agreement, the senior lenders under the Credit Agreement will have prior claim on the assets of the Company and its subsidiaries.

Lack of Public Market; Market Value

The Company believes that there is currently a limited trading market for the Existing Notes. If the Exchange Offer is consummated, the trading market for the Existing Notes may become even more sporadic and limited. See "MARKET PRICES OF THE EXISTING NOTES." The New Notes are a new issue of securities with no established trading market.

The Company does not intend to apply for listing of the New Notes on any securities exchange. No assurance can be given that such a trading market will develop and, even if such a market develops, there can be no assurance as to the liquidity of such a trading market for the New Notes.

Restrictive Covenants

The Credit Agreement contains covenants imposing certain operating and financial restrictions. These covenants, among other things, restrict the incurrence of additional indebtedness and liens by the Company and its subsidiaries, the payment by the Company of dividends or other distributions, the redemption of capital stock of the Company and the making of other restricted payments, transactions with affiliates, the use of proceeds from the disposal of assets, and the merger, consolidation or sale of all or

substantially all the assets of the Company. In addition, the Company is required under the Credit Agreement to maintain specified financial ratios and levels, including those relating to cash flow, net worth and maximum leverage. The ability of the Company to comply with such provisions of the Credit Agreement will depend on its future performance, which will, in part, be subject to prevailing economic, financial and business factors beyond the Company's control. Although the Company expects that it will be able to comply with such provisions, there can be no assurance that the Company will be able to do so. The Company's failure to comply with such financial provisions would result in a default under the Credit Agreement. Upon the occurrence of a default under the Credit Agreement, the lenders could terminate their loan commitments, accelerate their outstanding loans, foreclose upon their collateral or exercise any other right or remedy available to them under the Credit Agreement, or in lieu thereof, the lenders could waive the Company's default thereunder or amend the terms and provisions of the Credit Agreement. The occurrence of a default under the Credit Agreement could lead to the acceleration of the Company's indebtedness, which could have a material adverse effect on the Company and Holdings and the value of the Existing Notes and the New Notes. A default with respect to the indebtedness of Holdings will not result in a default under the Existing Notes or the New Notes; however, such a default could enable the senior lenders under the Credit Agreement to accelerate payment of the Bank Debt under the Credit

Agreement. If such senior lenders exercise this right to accelerate the respective holders would have the right to accelerate payment of the Existing Notes and the New Notes.

Change of Control

The New Indenture will provide, and the Existing Indenture provides, that upon the occurrence of any Change of Control (as defined herein), the Company will be required to make an offer (a "Change of Control Offer") to purchase all of the New Notes and Existing Notes issued and outstanding under the New Indenture and Existing Indenture, respectively, at a purchase price equal to 101% of the aggregate principal amount thereof on the date of purchase plus accrued and unpaid interest thereon. The senior lenders under the Credit Agreement have a right to demand repayment upon a "Change of Control Date" as such term is defined in the Credit Agreement. Upon such event, such senior lenders would be entitled to receive payment of all outstanding obligations under the Credit Agreement before any of the New Notes or Existing Notes tendered in the Change of Control Offer could be purchased. If a "Change of Control Date" were to occur under the Credit Agreement and a "Change of Control" were to occur under the New Indenture and the Existing Indenture, it is unlikely that the Company would be able to repay all of its obligations under the Credit Agreement, the New Indenture and the Existing Indenture.

Competition

The Company engages in the wholesale distribution of pharmaceuticals,

health and beauty aids and other products in a highly competitive environment. The Company competes with numerous national and regional distributors, including McKesson Company, Bergen Brunswig Company, Cardinal Distribution, Inc. and FoxMeyer Company, some of which are larger and have substantially greater financial resources. In addition, the Company competes with local distributors, direct-selling manufacturers and other specialty distributors. Competitive factors include price, service and delivery, credit terms, breadth of product line, customer support and marketing programs. There can be no assurance that the Company will not encounter increased competition in the future which could adversely affect the Company's business.

Fraudulent Conveyance Considerations

The transfer of assets, the incurrence of indebtedness, or the grant of security interests by the Company in the Acquisition and the incurrence of indebtedness in the Exchange Offer could be subject to review under relevant federal and state fraudulent conveyance statutes ("Fraudulent Conveyance Statutes") in a bankruptcy case or lawsuit brought by or on behalf of the unpaid creditors of the Company. Under such Fraudulent Conveyance Statutes, a transaction may be challenged if it was effected for the purpose of delaying, hindering or defrauding creditors or was undertaken for insufficient consideration at a time when the debtor was, or as a result of which the debtor became, insolvent, inadequately capitalized, or expected to be unable to pay its debts when due. A court reaching such a conclusion with respect to the Company's issuance of Existing Notes in the Acquisition or New Notes in the Exchange Offer could void the issuance transaction or subordinate the Existing Notes and the New Notes to preexisting and future indebtedness of the Company (in addition to the Senior Indebtedness to which such securities are or will be expressly subordinated) or take other action detrimental to the holders of such securities. The exchange of Existing Notes for New Notes pursuant to the Exchange Offer may not eliminate or reduce the fraudulent conveyance risks, if any, attributable to the Existing Notes.

Certain Consequences to Holders of Existing Notes Who do not Tender in the Exchange Offer.

Consummation of the Exchange Offer will have certain adverse consequences to the holders of Existing Notes who do not tender their Existing Notes in the Exchange Offer. Under the Existing Indenture, the Company is required to redeem on August 31, 1998, 50% of the aggregate principal amount of Existing Notes originally issued at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued interest to the redemption date. The Company, at its option, may reduce the principal amount of Existing Notes required to be redeemed or otherwise repurchased, as the case may be, on the redemption date by subtracting 100% of the principal amount of Existing Notes that the Company

has delivered to the trustee for cancellation or that the Company has redeemed or repurchased on or prior to the repurchase date, and which have not previously

been used as a credit against a prior mandatory repurchase. Existing Notes accepted in the Exchange Offer will satisfy the Company's mandatory redemption obligation under the Existing Indenture, thereby extending the effective maturity of any Existing Notes not tendered in the Exchange Offer. See "PURPOSE AND EFFECTS OF THE EXCHANGE OFFER - Certain Consequences to Non-Tendering Holders of Existing Notes."

PURPOSES AND EFFECTS OF THE EXCHANGE OFFER

Background of the Company

In 1988, after a series of discussions with prospective buyers, the Company and Holdings executed an Agreement and Plan of Merger providing for a two-step acquisition (the "Acquisition") -- a tender offer by Holdings for up to 92% of the Company's shares and subsequent merger to acquire the remaining equity interest of the Company.

Purpose of the Exchange Offer

Through the Exchange Offer, the Company is substituting the New Notes for the Existing Notes. The only material difference between the terms of the New Notes and the terms of the Existing Notes is that the New Indenture does not have the minimum consolidated net worth provisions set forth in Section 4.14 of the Existing Indenture. Aside from the deletion of Section 4.14 of the Existing Indenture, the only other differences between the terms of the two indentures are non-material deletions of provisions that were relevant only to the merger in October 1989, pursuant to which Holdings acquired all the remaining common stock of the Company.

Section 4.14 of the Existing Indenture requires the Company to maintain a Consolidated Net Worth (as such term is defined in the Existing Indenture) of $80 million. At December 31, 1993, the Consolidated Net Worth, as defined in the Existing Indenture, was $187.7 million, which included $192.6 million of intangible assets. If the Company's Consolidated Net Worth, as defined in the Existing Indenture, is less than $80 million at the end of each of any two consecutive fiscal quarters, the Company is required to offer to purchase (the "Offer") an amount of Existing Notes equal to 20% of the principal amount of Existing Notes outstanding at the time the Offer is made. The purchase price in any Offer is equal to 100% of the principal amount purchased plus accrued interest to the date of purchase.

When the original covenant was negotiated and the Existing Notes were issued, the Company contemplated more increases to Consolidated Net Worth, as defined in the Existing Indenture, from operations than have occurred. Accordingly, the Company has less flexibility under the Consolidated Net Worth covenant than originally contemplated.

As currently set forth in the Existing Indenture, the Offer required under Section 4.14 could be triggered if the Company generated losses from operations,

had charges or expenses relating to a restructuring or recapitalization, or reductions in the book value of tangible or intangible assets, if in each case the losses or charges are of a sufficient magnitude. The Company continually reviews the recoverability of the carrying value of its tangible and intangible assets.

As a result of the deletion of Section 4.14 in the New Indenture, the Company would not be required to make an Offer to holders of the New Notes, even in the event of a material decrease in the Company's Consolidated Net Worth. The Company, however, would still be required to comply with the provisions of Section 4.14 of the Existing Indenture with respect to any Existing Notes outstanding after consummation of the Exchange Offer.

Credit Agreement Amendment

The Company will propose to its senior lenders certain amendments to the Credit Agreement dated March 30, 1993 (the "Credit Agreement") between the Company, its Credit Agent (as defined herein) and its senior lenders. These amendments include: (a) the allocation of the Company's ability under the Credit Agreement to conduct open market repurchases of Existing Notes between the New Notes and Existing Notes and (b) changes to financial covenants under the Credit Agreement derived from the consolidated net worth of the Company.

The Company's satisfaction with corresponding changes in the terms of its Credit Agreement is a condition to the closing of the Exchange Offer. See "TENDERING PROCEDURES -- Conditions."

Certain Consequences to Non-Tendering Holders of Existing Notes

Consummation of the Exchange Offer may have certain adverse consequences to the holders of Existing Notes who do not tender their Existing Notes in the Exchange Offer. First, under the Existing Indenture, the Company is required to redeem on August 31, 1998, 50% of the aggregate principal amount of Existing Notes originally issued at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued interest to the redemption date. The Company, at its option, may reduce the principal amount of Existing Notes required to be redeemed or otherwise repurchased, as the case may be, on the redemption date by subtracting 100% of the principal amount of Existing Notes that the Company has delivered to the trustee for cancellation or that the Company has redeemed or repurchased on or prior to the repurchase date, and which have not previously been used as a credit against a prior mandatory repurchase. Existing Notes accepted in the Exchange Offer will satisfy the Company's mandatory redemption obligation under the Existing Indenture, thereby extending the effective maturity of any Existing Notes not tendered in the Exchange Offer.

Second, to the extent any Existing Notes are exchanged for New Notes,

the outstanding principal amount of Existing Notes will decrease, the trading market for the Existing Notes may become less liquid than they have been prior to the Exchange Offer.

TENDERING PROCEDURES

The Exchange Offer

Upon the terms and subject to the conditions set forth in this Offering Circular and in the accompanying Letter of Transmittal, the Company is offering in the Exchange Offer to issue in exchange for each $1,000 principal amount of Existing Notes that are validly tendered prior to the Expiration Date and not withdrawn as provided below $1,000 principal amount of New Notes and $2.50 cash.

This Offering Circular and Letter of Transmittal are each first being mailed to Holders (as defined below) of Existing Notes on March 1, 1994. The term "Holder," when used with respect to an Existing Note, means the registered holder of such Existing Note at the time such security is tendered or any person who has obtained a properly completed bond power from the registered holder.

General

As of March 1, 1994, there were outstanding approximately $166.1 million aggregate principal amount of Existing Notes.

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, the Company will accept, promptly after the Expiration Date, all Existing Notes properly tendered and not withdrawn on or prior to the Expiration Date and will deliver the Cash Consideration and issue the New Notes promptly after acceptance of the Existing Notes (the date of delivery being, the "Closing Date"). See "Conditions" below.

For purposes of the Exchange Offer, the Company shall be deemed to have accepted for exchange, and to have exchanged, validly tendered Existing Notes in the Exchange Offer when, as and if the Company has given oral or written notice thereof to the Depositary. The Depositary will act as agent for the tendering holders of Existing Notes for the purposes of receiving the New Notes from the Company.

The New Notes and Cash Consideration will be delivered in exchange for Existing Notes accepted in the Exchange Offer promptly after acceptance on the Expiration Date. The Company's obligation to accept Existing Notes for exchange is subject to the satisfaction of the conditions set forth below under "Conditions."

The New Notes will be available only in registered form, without coupons. The New Notes will be issued in denominations of $1,000 and integral multiples thereof.

Holders of Existing Notes who tender in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Existing Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange Offer.

Interest on Existing Notes and New Notes

On the Closing Date, the Company will pay to tendering Holders all interest accrued to and including the Closing Date on Existing Notes tendered and accepted for exchange. Accrued and overdue interest, if any, on the Existing Notes not tendered in and accepted for exchange pursuant to the Exchange Offer (together with interest accrued on any such overdue interest) shall be paid on the regularly scheduled interest payment date under the Existing Indenture.

Interest will accrue from, but not including, the Closing Date on the New Notes at the rate described elsewhere in this Offering Circular. See "DESCRIPTION OF NEW NOTES."

Expiration Date; Extensions; Amendments

With respect to the Exchange Offer, the term "Expiration Date" shall mean 5:00 p.m., New York City time on March 30, 1994, unless the Company, in its sole discretion, extends the Exchange Offer in which case the term "Expiration Date" for the Exchange Offer shall mean 5:00 p.m., New York City time on the last date to which the Exchange Offer is extended.

The Company expressly reserves the right, at any time or from time to time, to extend the period during which the Exchange Offer is open. In order to extend the Expiration Date for the Exchange Offer, the Company will notify the Depositary of any extension by oral or written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Such announcement may state that the Company is extending the Exchange Offer for a specified period or on a daily basis.

The Company also expressly reserves the right to (a) delay accepting any Existing Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not accept Existing Notes not previously accepted, if any of the conditions set forth herein under "Conditions" shall have occurred and shall not have been validly waived by the Company, by giving oral or written notice of such delay, extension or termination to the Depositary or (b) amend at any time, or from time to time, the terms of the Exchange Offer in any respect. The Company also expressly reserves the right to terminate the Exchange Offer at any time as described herein under "Conditions." Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by public announcement thereof. If the terms of the Exchange Offer are amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment in a manner reasonably calculated to

inform the holders of the applicable Existing Notes of such amendment and the Company will extend the Exchange Offer for a period which the Company in its discretion deems appropriate, depending upon the significance of the amendment and the manner of disclosure to holders of the Existing Notes, if the Exchange Offer would otherwise expire during such period. Any such extension shall be in compliance with any applicable rules and regulations of the Commission.

Without limiting the manner in which the Company may choose to make a public announcement of any extension, amendment or termination of the Exchange Offer, the Company shall have no obligation, unless otherwise required by law, to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to the Dow Jones News Service.

How to Tender

A Holder electing to tender Existing Notes in the Exchange Offer should either (a) complete and sign the Letter of Transmittal or a facsimile thereof, have the signatures thereon guaranteed if required by Instruction 3 thereof, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with the Existing Notes and any other required documents to the Depositary at one of its addresses set forth on the back cover page of the Exchange Offer, or effect the tender of Existing Notes pursuant to the procedure for book-entry transfer as set forth below or (b) request the Holder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction.

Only registered holders of Existing Notes or persons who have obtained a properly completed bond power from the registered holders thereof, may tender in the Exchange Offer. Any beneficial holder whose Existing Notes are registered or held of record in the name of his broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Existing Notes should contact such holder of record and instruct such holder to tender Existing Notes on his behalf. If such beneficial holder wishes to tender Existing Notes on his own behalf, such beneficial holder must in the case of a tender with respect to Existing Notes, prior to completing and executing the Letter of Transmittal and delivering Holder's Existing Notes, either make appropriate arrangements to register ownership of the Existing Notes in such beneficial holder's name or obtain a properly completed bond power and proxy from the Holder. The

transfer of record ownership of Existing Notes may take considerable time and, depending on when such transfer is requested, may not be accomplished prior to the Expiration Date.

In order for a tender of Existing Notes to constitute a valid tender, Holders should complete the Letter of Transmittal in accordance with the instructions set forth therein and deliver such Letter of Transmittal to the Depositary on or prior to 5:00 p.m., New York City time, on the Expiration Date.

The tender by a Holder pursuant to one of the procedures set forth herein will constitute an agreement between such Holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

The method of delivery of Existing Notes, the Letter of Transmittal and all other required documents to be delivered to the Depositary is at the election and risk of each Holder. Except as otherwise provided herein, such delivery will be deemed made only when actually received by the Depositary. Instead of effecting delivery by mail, it is recommended that Holders use an overnight or hand delivery service. If Existing Notes are sent by mail, registered mail, with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to assure timely delivery. No documents should be sent to the Company, the Financial Advisor or the trustee for the Existing Notes.

The Depositary will make a request promptly after the date of this Offering Circular to establish accounts with respect to the Existing Notes at The Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC") and the Philadelphia Depository Trust Company ("PHILADEP," and together with DTC and MSTC, collectively referred to as the "Book-Entry Transfer Facilities") for the purpose of facilitating the Exchange Offer. Any financial institution that is a participant in any of the Book-Entry Transfer Facilities' systems may make book-entry delivery of the Existing Notes by causing DTC, MSTC or PHILADEP to transfer such Existing Notes into the Depositary's account in accordance with such Book-Entry Transfer Facility's procedure for such transfer. Although delivery of Existing Notes may be effected through book-entry transfer in the Depositary's account at DTC, MSTC or PHILADEP, the Letter of Transmittal or facsimile thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received or confirmed by the Depositary at one of its addresses set forth on the back cover of this Offering Circular prior to 5:00 p.m., New York City time, on the Expiration Date. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH ITS PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Signatures on each Letter of Transmittal must be guaranteed unless the Existing Notes delivered pursuant thereto are delivered (a) by a Holder of Existing Notes who has not completed the boxes on the Letter of Transmittal entitled "Special Issuance Instructions" or "Special Delivery Instructions" or (b) for the account of an Eligible Institution. In the event that signatures are required to be guaranteed, such guarantees must be by a firm that is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office in the United States (an "Eligible Institution").

If the Letter of Transmittal with respect to any Existing Notes is signed by a person other than the Holder of any certificate(s) listed therein, such

certificate(s) must be endorsed or accompanied by appropriate bond powers signed exactly as the name or names of the Holder or Holders appear on the certificate(s).

If the Letter of Transmittal, or any certificates, bond powers, stock powers or proxies are signed by trustees, executors, administrators, guardians, attorney-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

All questions as to the validity, form, eligibility (including time of receipt), acceptance, withdrawal and revocation of tendered Existing Notes will be resolved by the Company, whose determination will be final and binding. The Company reserves the absolute right to reject any or all tenders and withdrawals of Existing Notes that are not in proper form or the acceptance of which would, in the opinion of the Company or counsel for the Company, be unlawful. The Company also reserves the right to waive any irregularities or conditions of tender as to particular Existing Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding. Unless waived, any irregularities in connection with tenders and withdrawals of Existing Notes must be cured within such time as the Company shall determine. Neither the Company nor the Depositary shall be under any duty to give notification of defects in such tenders or withdrawals or shall incur any liability for failure to give such notification. Tenders and withdrawals of Existing Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Existing Notes received by the Depositary that are not properly tendered or delivered and as to which the irregularities have not been cured or waived will be returned by the Depositary to the tendering holders of Existing Notes unless otherwise provided in the Letter of Transmittal as soon as practicable following the Expiration Date.

Although it does not expect to do so, if the Company should increase the consideration offered for the Existing Notes in the Exchange Offer, such increased consideration will be paid to all Holders whose Existing Notes are accepted in the Exchange Offer, including those Existing Notes tendered before the announcement of the increase.

Notice of Guaranteed Delivery

If a holder of Existing Notes elects to tender Existing Notes and such holder's Existing Notes are not immediately available or time will not permit such holder's Existing Notes or other required documents to reach the Depositary before the Expiration Date, tenders may be effected if:

(i) such tender is made through an Eligible Institution;

(ii) prior to the Expiration Date, the Depositary receives from such

Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by telegram, telex, facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of the Existing Notes and the principal amount of the Existing Notes tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange, Inc. ("NYSE") trading days after the

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Expiration Date, the Letter of Transmittal together with the Existing Notes and any other documents required by the Letter of Transmittal will be deposited with the Depositary; and

(iii) the Existing Notes, the Letter of Transmittal as well as all other documents required by such Letter of Transmittal, shall be received by the Depositary within five NYSE trading days after the Expiration Date.

The acceptance by a holder of Existing Notes of the Exchange Offer pursuant to the procedures set forth above will constitute an agreement between such holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the related Letter of Transmittal.

The Notice of Guaranteed Delivery may be delivered by hand to the Depositary, or transmitted by telegram, telex, facsimile transmission or letter, to the Depositary, and must include a signature guarantee by an Eligible Institution in the form set forth in such Notice. Tendering noteholders should deliver the Notice of Guaranteed Delivery to tender Existing Notes pursuant to the guaranteed delivery procedures set forth in (i) through (iii) above.

Withdrawal of Tenders

Tenders of Existing Notes may be withdrawn, subject to the procedures described herein, at any time before they are accepted for exchange by the Company. The Company shall be deemed to have accepted for exchange, and to have exchanged, validly tendered Existing Notes in the Exchange Offer when, as and if the Company has given oral or written notice thereof to the Depositary.

Any Holder of Existing Notes who has tendered Existing Notes or who succeeds to the record ownership of Existing Notes in respect of which such tenders have previously been given may withdraw such Existing Notes by delivery of a written notice of withdrawal. To be effective, a written or facsimile transmission notice of withdrawal of a tender of any Existing Notes, must (a) be timely received by the Depositary at one of its addresses specified on the back cover of this Offering Circular before such Existing Notes are accepted for exchange by the Company (b) specify the name of the Holder of the Existing Notes to be withdrawn, (c) contain the description of the Existing Notes to be withdrawn, the certificate numbers shown on the particular certificates evidencing such Existing Notes and the aggregate principal amount represented by such Existing Notes and (d) be signed by the Holder of such Existing Notes in the same manner as the original signature on the Letter of Transmittal (including any required signature guarantees), or be accompanied by documents of transfer sufficient to have the Trustee register the transfer of such Existing

Notes into the name of the person withdrawing Existing Notes. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution unless such Existing Notes have been tendered (a) by a registered holder of Existing Notes who has not completed the boxes on the Letter of Transmittal entitled "Special Issuance Instructions" or "Special Delivery Instructions" or (b) for the account of an Eligible Institution. If the Existing Notes to be withdrawn have been delivered or otherwise identified to the Depositary, a signed notice of withdrawal is effective immediately upon receipt of written or facsimile transmission notice of withdrawal even if physical release is not yet effected.

Any Existing Notes which have been tendered for exchange but which are not exchanged will be returned to the Holder thereof without cost to such Holders as soon as practicable following the Expiration Date. Properly withdrawn Existing Notes may be retendered at any time prior to 5:00 p.m., New York City time, on the Expiration Date by following one of the procedures described under "How to Tender in the Exchange Offer."

None of the Company, the Depositary or any person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability to holders of Existing Notes for failure to give any such notification.

Backup Withholding

Federal income tax law requires that a holder of Existing Notes whose tendered Existing Notes are accepted for exchange must provide the Depositary (as payor) with its correct taxpayer identification number, which, in the case of a holder who is an individual, is the individual's social security number. Exempt holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. If the Depositary is not provided with the correct taxpayer identification number or adequate basis for exemption, the holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, the Cash Consideration received by such holder and Cash Consideration paid with respect to the New Notes may be subject to backup withholding. If withholding results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding, each tendering holder of Existing Notes must complete the form provided in the Letter of Transmittal and either (i) provide its correct taxpayer identification number and certify that the taxpayer identification number provided is correct (or that such holder is awaiting a taxpayer identification number) and that (a) the holder of Existing Notes has not been notified by the Internal Revenue Service that it is subject to backup withholding as a result of failure to report all interest or dividends or (b) the Internal Revenue Service has notified the holder that it is no longer subject to backup withholding, or (ii) provide an adequate basis for exemption.

Conditions

The obligation of the Company to accept for exchange any Existing Notes validly tendered pursuant to the Exchange Offer is conditioned upon (a) the Company's satisfaction with corresponding changes in the terms of its Credit Agreement and (b) the qualification of the New Indenture under the Trust Indenture Act of 1939, as amended.

In addition, notwithstanding any other provisions of the Exchange Offer, the Company, in its sole discretion, may amend, extend or terminate the Exchange Offer (whether or not Existing Notes have theretofore been accepted for payment or paid for pursuant to such Exchange Offer), or may delay or refrain from accepting for exchange or exchanging any Existing Notes subject to such Exchange Offer if, at any time prior to the Expiration Date, any of the following shall occur:

(a) there shall be threatened, instituted, or pending any action, proceeding, application, claim or counterclaim before any court or governmental regulatory or administrative agency, authority or tribunal, domestic or foreign, which in the sole judgment of the Company (i) makes or seeks to make illegal the acceptance for exchange, or exchange of, any of the Existing Notes or Cash Consideration pursuant to the Exchange Offer, (ii) could result in a delay of the ability of the Company to accept for exchange or exchange some or all of the Existing Notes, (iii) imposes or seeks to impose limitations on the ability of the Company to acquire the Existing Notes or issue the New Notes or (iv) may prohibit, restrict or delay consummation of, or otherwise have a material adverse effect on the contemplated benefits to the Company of, the Exchange Offer;

(b) any change (or any condition, event or development involving a prospective change) shall have occurred or be threatened in the general economic, financial, currency exchange or market conditions in the United States or abroad that, in the sole judgment of the Company, has or may have a material adverse effect upon (i) the market prices of the Existing Notes, (ii) the trading in the Existing Notes or the New Notes or (iii) the value of the Existing Notes or the New Notes to the Company;

(c) a general deterioration in the prices of equity or debt (including high yield debt) securities in the United States from levels prevailing at the date hereof shall have occurred which, in the sole judgment of the Company, may have a material adverse effect on the contemplated benefits of, or otherwise may make it inadvisable for the Company to proceed with the Exchange Offer;

(d) (i) any general suspension of trading in, or limitation on prices for, securities on the NYSE or in the over-the-counter market, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation (whether or not mandatory) by any federal, state or foreign governmental authority on, or any other event which might affect, the extension of credit by banks or other financial institutions, (iii) a commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) a material change in United States or any other currency exchange rates or a suspension of or limitation on the markets therefore or (v) in the case of any of the

foregoing existing at the date hereof, a material acceleration or worsening thereof;

(e) any statute, order, rule or regulation shall have been proposed or enacted or deemed applicable, or any action shall have been taken by any governmental authority, that would or might prohibit, restrict or delay consummation of the Exchange Offer or, in the sole judgment of the Company, materially affect the contemplated benefits to the Company of the Exchange Offer;

(f) there exists, in the sole judgment of the Company, any other actual or threatened legal impediment (including a default under an agreement, indenture (including the Existing Indenture) or other instrument or obligation to which the Company is a party, or by which it is bound) to the acceptance for exchange, or exchange of, any of the Existing Notes or issuance of the New Notes or payment of the Cash Consideration pursuant to the Exchange Offer;

(g) a preliminary or permanent injunction or other order by any court or governmental agency shall have been issued and remain in effect which restrains or prohibits the making or consummation of the Exchange Offer; or

(h) any change shall occur or be threatened in the business, assets, properties, liabilities, condition (financial or other), income, results of operations or prospects of the Company or any of the subsidiaries, which in the sole judgment of the Company, is or may be material to the Company.

The foregoing conditions are for the sole benefit of the Company. Each such condition may be asserted by the Company regardless of the circumstances, including any action or inaction by the Company, giving rise thereto, and each may be waived by the Company with respect to the Existing Notes subject to the Exchange Offer in whole or in part at any time, and from time to time, in its sole discretion.

If any of the conditions listed above is not satisfied, the Company may (a) refuse to accept any Existing Notes and return all tendered Existing Notes to tendering holders, (b) extend the Exchange Offer and retain all Existing Notes previously tendered or (c) waive or modify any of such unsatisfied conditions with respect to the Exchange Offer and accept all properly tendered Existing Notes. If such waiver constitutes a material change to the Exchange Offer, the Company will promptly disclose such waiver in a manner reasonably calculated to inform holders of Existing Notes of such waiver, and the Company will extend the Exchange Offer for a period which the Company in its discretion deems appropriate, subject to any applicable laws, depending on the significance of the waiver or amendment and the manner of disclosure to holders of Existing Notes. In the event the Company waives or modifies any of such conditions, the Company and/or holders of Existing Notes may be exposed to additional risks which cannot presently be predicted or evaluated. See "TENDERING PROCEDURES -- Expiration Date; Extensions; Amendments."

In addition, the Company may, in its sole discretion, terminate the Exchange Offer at any time prior to the Expiration Date for any reason.

Financial Advisor

The Company has engaged BT Securities Corporation (``BTSC'') to act as the Financial Advisor in connection with the Exchange Offer. The Financial Advisor has been engaged to, among other things, (a) advise the Company with respect to the terms and timing of the Exchange Offer, including with respect to the terms of the New Notes and (b) assist the Company in preparing the documents required in the Exchange Offer, including, among others things, the Offering Circular and the Letter of Transmittal.

For the services of BTSC as financial advisor in connection with the Exchange Offer, the Company has agreed to pay to BTSC a fee of $334,000. In addition, the Company will reimburse BTSC for its expenses, including the reasonable fees and expenses of its counsel. The Company has also agreed to indemnify BTSC against certain liabilities and expenses, including liabilities under federal securities laws.

Prior to the Company's engagement of BTSC in connection with the Exchange Offer, BTSC has provided various financial advisory and investment banking services to the Company and Holdings from time to time, including with respect to the issue and sale of the Holdings Debentures.

Depositary

Bankers Trust Company has been appointed as Depositary for the Exchange Offer. Questions and requests for assistance may be directed to the Depositary at one of its addresses and telephone numbers set forth on the back cover of this Offering Circular.

Information Agent

Kissel-Blake Inc. has been appointed as Information Agent in connection with the Exchange Offer (the "Information Agent"). Any questions regarding how to tender in the Exchange Offer and any requests for additional copies of this Offering Circular or the Letter of Transmittal should be directed to the Information Agent at its address and telephone number set forth on the back cover of this Offering Circular.

Estimated Fees and Expenses

The Company estimates that fees and expenses expected to be incurred in connection with the Exchange Offer will be approximately $1.0 million.

DESCRIPTION OF NEW NOTES

General

The New Notes will be issued pursuant to an Indenture to be dated as of March __, 1994 (the ``New Indenture'') between the Company and Bankers Trust Company, as trustee (the "Trustee"). The terms of the New Notes include those stated in the New Indenture and those made part of the New Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act") as in effect on the date of the New Indenture. The New Notes are subject to all such terms, and holders of the New Notes are referred to the New Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the New Indenture does not purport to be complete and is qualified in its entirety by reference to the New Indenture, including the definitions therein of certain terms used below. Capitalized terms not otherwise defined below or elsewhere in this Offering Circular have the meanings given them in the New Indenture.

The New Notes will be general unsecured obligations of the Company limited to $166,134,000 in aggregate principal amount. The New Notes will bear interest at the rate per annum of 14-1/2%, payable semi-annually on September 15 and March 15 in each year to holders of record of New Notes at the close of business on September 1 or March 1 next preceding the interest payment date. Interest will initially accrue from the day after the Closing Date and the first interest payment date will be September 15, 1994. The Company shall pay interest on overdue principal at the rate borne by the New Notes; it shall pay interest to the extent permitted by law without regard to any applicable grace periods on overdue installments of interest at the rate borne by the New Notes. Interest will be computed on the basis of twelve 30-day periods in a 360-day year. The New Notes mature on September 15, 1999, and will be issued in denominations of $1,000 and integral multiples thereof.

Principal and interest on the New Notes will be payable, and the New Notes may be presented for registration of transfer or exchange at the respective offices of the Paying Agent and Registrar in New York, New York.

The Company may pay principal and interest by check and may mail interest checks to a holder's registered address. The Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with certain transfers or exchanges. The Trustee will initially act as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without prior notice to holders of the New Notes. The Company may act as Paying Agent or Registrar.

Redemption of New Notes

Optional Redemption. The New Notes will be redeemable, at the option of the Company, in whole or in part, on at least 30 but not more than 60 days' notice to each holder of New Notes to be redeemed, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued

and unpaid interest to the redemption date, if redeemed during the 12-month period beginning September 15 of the years indicated below. The New Notes may not be so redeemed prior to September 15, 1994.

<TABLE>
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<S>	<C>
Year	Percentage
1994	106.00%
1995	104.00%
1996	102.00%
1997 and thereafter	100.00%

</TABLE>

Mandatory Redemption or Repurchase. If, for the 12 month period ending on each of August 31, 1996 and 1997, the Company's Consolidated Fixed Charge Ratio (as defined) exceeds 1.5 to 1, the Company shall be required, within 90 days from such August 31 (the "Repurchase Date"), to redeem or

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otherwise repurchase in the open market and retire 5% and 10%, respectively, of the principal amount of New Notes. Notwithstanding the requirement in the preceding sentence, the Company shall not be required to make such redemption or repurchase until such time, and to the extent, funds become available under the Credit Agreement or any successor or replacement facility. In addition, the Company is required to redeem on August 31, 1998 (the "Redemption Date") 50% of

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the aggregate principal amount of New Notes originally issued at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued interest to the Redemption Date. The Company, at its option, may reduce the principal amount of New Notes required to be redeemed or otherwise repurchased, as the case may be, on each Repurchase Date or Redemption Date by subtracting 100% of the principal amount of New Notes that the Company has delivered to the Trustee for cancellation or that the Company has redeemed or repurchased on or prior to the Repurchase Date or Redemption Date, as the case may be, and, in the case of a mandatory repurchase, which have not previously been used as a credit against a prior mandatory repurchase.

The Company may be required under certain circumstances to make an offer to redeem a portion of the New Notes if (i) the Company or any subsidiary consummates an Asset Sale (as defined herein) at certain times or (ii) a Change of Control (as defined herein) occurs at certain times. See ``- Certain Covenants'' below.

Selection and Notice. In the event of a redemption of less than all of the New Notes, the New Notes will be chosen for redemption by the Trustee pro rata, by lot or by any other method that the Trustee considers fair and appropriate and, if the New Notes are listed on any securities exchange, by a method that complies with the requirements of such exchange. Notice of redemption will be

mailed at least 30 days but not more than 60 days before the Redemption Date to each holder of New Notes to be redeemed at its registered address. On and after the Redemption Date, interest ceases to accrue on New Notes or portions thereof called for redemption.

Subordination

The payment of the principal of, premium, if any, and interest on the New Notes is subordinated in right of payment, as set forth in the New Indenture, to the prior payment in full of all Senior Indebtedness (as defined below), whether outstanding on the date of the New Indenture or thereafter created, and all permissible renewals, extensions, refundings or refinancings thereof.

Upon (i) insolvency, bankruptcy, reorganization, receivership or other similar proceedings of the Company or (ii) the acceleration of any Senior Indebtedness which is not rescinded, all Senior Indebtedness must be paid in full, or provision made for such payment, before any payment or distribution is made upon principal, premium, if any, and interest with respect to the New Notes. No payments may be made with respect to the principal of, premium, if any, and interest on the New Notes if a default has occurred in the payment of any Senior Indebtedness (unless such default is cured or waived). In addition, if a non-payment event of default has occurred (unless such event of default is cured or waived) under any Senior Indebtedness that would permit the acceleration of the maturity thereof, no payments may be made by the Company with respect to the principal of, premium, if any, or any interest on the New Notes, for a period (a "Payment Blockage Period") commencing on (A) the earlier

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of the date of receipt of notice of such event of default from the Credit Agent of the Senior Indebtedness to which such default relates, or if such event of default results from the acceleration of the New Notes, the date of such acceleration, and ending 179 days thereafter or (B) the date of receipt of notice of such event of default from the Representative for the holders of the Specified Senior Indebtedness (as defined below) (or the holders of at least 25% of the principal amount of such Specified Senior Indebtedness) and ending 119 days thereafter; provided, however, that (x) no more than two Payment Blockage Periods may be commenced during any period of 360 consecutive days, (y) only the Credit Agent may commence the second such Payment Blockage Period during such 360 consecutive day period if the first Payment Blockage Period was commenced by or on behalf of the Specified Senior Indebtedness and (z) if the first Payment Blockage Period in a 360-day period was commenced by the Credit Agent, all scheduled payments of principal and interest due on the New Notes on and prior to the date of the termination of such first Payment Blockage

Period shall have been paid in full before a second Payment Blockage Period may be commenced during such 360-day period. Notwithstanding the foregoing, in no event may the total number of days during which any Payment Blockage Period or Periods may be in effect during any 360 consecutive day period exceed 179 days in the aggregate. For the purpose of this provision, no default which existed or was continuing on the date of commencement by any person of any Payment Blockage Period and of which such person had knowledge shall be the basis for the

commencement of a second Payment Blockage Period by such person, unless such default shall have been cured or waived for a period of not less than 90 consecutive days. Failure to make payments required in respect of the New Notes due to the foregoing, however, will not preclude such failure from constituting an Event of Default under the New Indenture.

As a result of these subordination provisions, in the event of the Company's insolvency, holders of the New Notes may recover ratably less than general creditors of the Company.

"Senior Indebtedness" means (i) all Indebtedness (as defined below) (including Interest Swap Obligations) (present or future) created, incurred, assumed or guaranteed by the Company, and (ii) all Obligations now or hereafter existing under the Credit Agreement (including all permissible renewals, extensions, refundings or refinancings thereof), unless the instrument governing such Indebtedness expressly provides in each case that such Indebtedness is not senior or superior in right of payment to the New Notes; provided, however, that any Indebtedness which is subordinated in right of payment to any other Indebtedness of the Company shall not constitute Senior Indebtedness. Notwithstanding the foregoing, Senior Indebtedness shall not include Indebtedness of the Company to any of its Subsidiaries or Indebtedness incurred for the purchase of goods or services obtained in the ordinary course of business. As of February 25, 1994, the principal amount of Senior Indebtedness outstanding was approximately $316.1 million.

"Specified Senior Indebtedness" means any issue of Senior Indebtedness (other than Bank Debt) having a principal amount of at least $50,000,000. For purposes of this definition, a refinancing of any Indebtedness shall be treated as such only if it ranks or would rank on a pari passu basis with the Indebtedness refinanced.

The New Indenture will limit, subject to certain financial tests, the amount of additional Indebtedness, including Senior Indebtedness, which the Company or any of its Subsidiaries can create, incur, assume or guarantee. The Indenture will prohibit the Company from creating, incurring, assuming or guaranteeing any Indebtedness which is subordinate to any other Indebtedness of the Company but senior in right of payment to the New Notes.

Certain Definitions

All ratios and computations in the New Indenture based on generally accepted accounting principles contained in the New Indenture shall be computed in accordance with generally accepted accounting principles except that calculations made for the purpose of determining compliance with the terms of the covenants of the New Indenture and other provisions of the New Indenture shall utilize accounting principles and policies in effect at the time of preparation of, and in conformity with those used to prepare, the historical financial statements of the Company for the fiscal year ended September 30, 1988 and shall be made without giving effect to adjustments in component amounts required or permitted by Accounting Principles Board Opinions Nos. 16 and 17 as a result of the Merger and for any expenses incurred in connection with the Merger and the financing thereof pursuant to the New Indenture and the Credit Agreement. Notwithstanding anything to the contrary contained herein, each

accounting term used herein shall be used as if, and each financial test shall be calculated as if, the Company and its Subsidiaries valued inventory on a first-in, first-out basis (other than with respect to the calculation of taxes) and without regard to the effects of Emerging Issues Task Force 86-16.

Set forth below is a summary of certain of the defined terms used in the New Indenture. Reference is made to the New Indenture for the full definition of all of such terms as well as any other capitalized terms used herein for which no definition is provided.

"Affiliate" of a Person means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Asset Sale" means any sale, transfer or other disposition of assets or rights (including, without limitation, dispositions pursuant to merger, consolidation or sale leaseback transactions) by a Person or one of such Person's Subsidiaries to any Person other than such Person or one of such Person's Subsidiaries of a Business Segment.

"Business Segment" means any assets, group of assets, any Subsidiary, or stock of a Subsidiary owned as of the date of the New Indenture or thereafter acquired by the Company or a Subsidiary, which constitute 10% or more of the assets, operating revenues or EBIT of the Company (as determined on a consolidated basis in conformity with generally accepted accounting principles).

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with generally accepted accounting principles, is accounted for as a capital lease on the balance sheet of such Person.

"Consolidated Fixed Charges" of any Person is defined as, for any period, the sum of Consolidated Interest Expense and Preferred Stock Dividends; provided, that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to the assets which are subject of or have been repaid with the proceeds of such Asset Sales for such period; and provided, further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Fixed Charges attributable to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Fixed Charge Ratio" of any Person means the ratio of (i) the

aggregate amount of Consolidated Gross Cash Flow of such Person for the four fiscal quarters for which financial information in respect thereof is available immediately prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Ratio (the "Transaction Date") to (ii) the aggregate Consolidated Fixed Charges of such Person for the four fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date.

"Consolidated Gross Cash Flow" shall mean with respect to any Person, for any period for which it is to be determined (x) the sum of such Person's (i) Earnings Before Interest and Taxes ("EBIT") computed without giving effect to any nonrecurring gains and losses (other than in the ordinary course of business); and (ii) to the extent earnings have been reduced thereby, depreciation expenses, amortization expenses and other non-cash expenses; minus (y) the sum of such Person's (i) non-cash items to the extent earnings have been increased thereby and (ii) 25% of the increase, if any, in such Person's Net Working Capital (if positive) during such period, or 25% of the decrease, if any, in such Person's Net Working Capital (if negative) during such period, all as determined on a consolidated basis in conformity with, except as noted above, generally accepted accounting principles; provided, that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Gross Cash Flow (if positive) attributable to the assets which are the subject of such Asset Sales for such period

or increased by an amount equal to the Consolidated Gross Cash Flow (if negative) attributable thereto for such period, in either case as if such Asset Sale had occurred on the first day of such period; and provided, further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Gross Cash Flow attributable to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Interest Expense" of any Person means, for any period for which the determination thereof is to be made, the aggregate amount of interest in respect of Indebtedness of such Person and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and the net cost associated with Interest Swap Obligations but excluding amortization of all fees, charges and other issuance costs associated with Indebtedness incurred in connection with the Tender Offer and the Merger) and all but the principal component of rentals in respect of Capital Lease obligations, paid, accrued or scheduled to be paid or accrued by such Person during such period, all as determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Income" with respect to any Person means, for any period, the aggregate of the net income (or loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with generally accepted accounting principles; provided, however, that (i) any gain (but not loss), together with any related provision for taxes, realized upon the sale or other disposition (including, without limitation, dispositions pursuant to sale and leaseback transactions) of any property or assets which are not sold or otherwise disposed of in the ordinary course of business shall be excluded, (ii) the net income (or loss) of any Person which is not a Subsidiary or is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof, (iii) the net income (or loss) of any Person that is a Subsidiary (other than a Subsidiary of which at least 80% of the capital stock having ordinary voting power for the election of directors or other governing body of such Subsidiary is owned by the referent Person directly or indirectly through one or more Subsidiaries) shall be included only to the extent of the lesser of (a) the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof or (b) the net income (or loss) of such Person, and (iv) the net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded.

"Consolidated Net Worth" with respect to any Person means, as at any date of determination, the sum of the Capital Stock and additional paid-in capital plus retained earnings (or minus accumulated deficit) of such Person and its Subsidiaries on a consolidated basis and with respect to the Company and its Subsidiaries, the amount of LIFO reserve, less amounts attributable to Disqualified Interests. Notwithstanding anything to the contrary contained in the New Indenture, Consolidated Net Worth shall be calculated as if (i) in connection with making purchase accounting adjustments to the recorded value of assets acquired or liabilities assumed in the Tender Offer and the Merger, the entire excess of purchase cost over net assets (on a historical book basis) acquired is allocated to goodwill and accordingly the LIFO reserve will not be eliminated and (ii) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof are included in the purchase cost of the Company for the purpose of calculating the excess of purchase cost over net assets acquired and none of such transaction and other costs are expensed.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Interest" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (i) is exchangeable or convertible into Indebtedness, (ii) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, on or prior to the maturity date of the New Notes, or (iii) is

redeemable at the option of the holder thereof, in whole or in part on, or prior to, the maturity date of the New Notes.

"Earnings Before Interest and Taxes" or "EBIT" shall mean Consolidated Net Income of a Person, except that there shall be excluded from the calculation thereof (i) all taxes paid or payable by such Person to any government or governmental instrumentality (other than real estate taxes, sales taxes or use taxes), (ii) Consolidated Interest Expense, (iii) amortization of all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof and all goodwill and other intangibles, (iv) all depreciation and amortization of the write-up of assets resulting from the Tender Offer and the Merger and (v) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof that are expensed.

"Equity Interests" means Capital Stock or other equity participations, including partnership interests, or warrants, options or other rights to acquire Capital Stock or other equity participations (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock or other such equity participations).

"Holdings Debentures" means the 11-1/4% Senior Debentures due 2005 of Holdings.

"Indebtedness" with respect to any Person means any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or a trade payable and which is not overdue by more than 60 days and not being contested in good faith, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such Person prepared on a consolidated basis in accordance with generally accepted accounting principles, and also includes, to the extent not otherwise included, any Guaranty of Indebtedness.

"Indebtedness to Net Worth Ratio" means with respect to any Person, at any date of determination, the ratio of (i) the outstanding aggregate amount of Indebtedness of such Person and its Subsidiaries, other than, with respect to the Company and its Subsidiaries, Indebtedness of independent pharmaceutical stores incurred in the ordinary course consistent with past practice in an aggregate principal amount at any time outstanding not in excess of $20 million determined on a consolidated basis, to (ii) the Consolidated Net Worth of such Person.

"Interest Swap Obligations" means the obligations of any Person pursuant to any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Junior Indebtedness" means any Indebtedness of the Company and its Subsidiaries, whether outstanding at the date of the New Indenture or incurred thereafter, that is subordinated in right of payment to the New Notes at least to the same extent as the New Notes are subordinated to Senior Indebtedness and which does not mature or have any mandatory redemptions or prepayments in respect thereof prior to the final scheduled maturity date of the New Notes.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Material Acquisition" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or other business combination or acquisition, or any two or more such transactions if part of a common plan to acquire a business or group of related businesses, if the assets thus acquired in the

aggregate would constitute a Significant Subsidiary of the Company (if such businesses or assets were organized in the corporate form) immediately preceding such transaction.

"Net Proceeds" with respect to any sale or other disposition of a Business Segment, means (i) cash (freely convertible into U.S. dollars) received by the Company or any Subsidiary from such sale or other disposition, after (a) provision for all income or other taxes measured by or resulting from such sale or other disposition, (b) payment of all brokerage commissions and other fees and expenses related to such sale or other disposition, and (c) deduction of appropriate amounts to be provided by the Company or a Subsidiary, as a reserve, in accordance with generally accepted accounting principles, against any liabilities associated with such Business Segment and retained by the Company or a Subsidiary after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters or against any indemnification obligations associated with the sale or other disposition of such Business Segment and (ii) promissory notes received by the Company or any Subsidiary from such sale or other disposition upon the liquidation or conversion of such notes into cash.

"Net Working Capital" means, with respect to any Person, for any date for which it is to be determined, (i) the sum of such Person's inventory, trade receivables and prepaid expenses, minus (ii) the sum of such Person's accrued expenses payable and trade payables, as each of such items would appear on the consolidated balance sheet of such Person and its Subsidiaries prepared as of the date of determination in accordance with generally accepted accounting principles consistently applied.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, any interest accruing subsequent to an event specified in Sections 6.01(v) and 6.01(vi) of the New Indenture), penalties, fees and other monetary liabilities payable under the documentation governing such Indebtedness.

"Redemption Date" means, with respect to any New Note to be redeemed, the

date fixed for such redemption pursuant to the New Indenture.

"Redemption Price" means, when used with respect to any New Note to be redeemed, the price fixed for such redemption pursuant to the New Indenture as set forth in paragraph 5 of the Note.

"Refinancing Debentures" means any security issued by Holdings the proceeds of which are applied to refinance any or all of the Holdings Debentures.

"Significant Subsidiary" means any Subsidiary, the assets, operating revenues or EBIT of which constitutes 10% or more of the assets, operating revenues or EBIT of the Company as determined on a consolidated basis in conformity with generally accepted accounting principles.

Certain Covenants

Dividend, Stock Purchase and Debt Repayment Restrictions. The New Indenture provides that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution on account of the Company's or such Subsidiary's Capital Stock, partnership interests or other Equity Interests (other than dividends or distributions payable in Equity Interests (other than Disqualified Interests) of the Company or a Subsidiary and other than dividends or distributions payable to the Company or a wholly-owned Subsidiary of the Company), (ii) make any loan, advance, extension of credit or investment in any Affiliate or Subsidiary other than a Subsidiary wholly-owned, either directly or indirectly, by the Company, (iii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company, Holdings, any Subsidiary or other Affiliates of the Company or Holdings held by any Person other than the Company or a wholly-owned Subsidiary or (iv) voluntarily prepay Indebtedness that is pari passu with, or subordinated to, the New Notes, other than as specifically permitted by the terms of the New Indenture and other than Indebtedness which matures or

has any mandatory redemptions or prepayments in respect thereof prior to the final maturity date of the New Notes (all such dividends, distributions, purchases, redemptions or other acquisitions, retirements and prepayments being collectively referred to as "Restricted Payments"), if, at the time of such

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Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing;

(b) immediately after such Restricted Payment and after giving effect thereto on a pro forma basis, Consolidated Net Worth of the Company does not exceed $265 million;

(c) the Company's Consolidated Fixed Charge Ratio is less than 2.0 to 1 after giving pro forma effect to such Restricted Payment by subtracting

the amount of such Restricted Payment from the amount of Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio; or

(d) such Restricted Payment, together with the aggregate of all other Restricted Payments made after the satisfaction of the conditions in clauses (b) and (c) above, exceeds the sum of (x) 25% (or 33% after the Company's Consolidated Net Worth is equal to or greater than $350 million) of the amount of the aggregate Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first quarter immediately after the initial satisfaction of the condition in clause (b) above to the end of the Company's most recently ended fiscal quarter at the time of such Restricted Payment plus (y) 100% of the aggregate net cash proceeds and the fair market value of marketable securities received by the Company from the issue or sale of (A) Equity Interests or warrants, options or rights to acquire Equity Interests of the Company subsequent to the date of the New Indenture (other than Equity Interests issued or sold to a Subsidiary and other than Disqualified Interests), or (B) any Indebtedness or other security convertible into any such Equity Interest that has been so converted.

Notwithstanding the foregoing, the New Indenture shall not prohibit;

A. the payment of any dividend within 60 days after the date of the declaration thereof, if at the date of declaration such payment would comply with the provisions of the New Indenture; or

B. the retirement of any of the Company's Equity Interests in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary) of, other Equity Interests (other than Disqualified Interests); or

C. Restricted Payments to Holdings in an amount necessary to meet the cash requirements of Holdings to pay interest on the Holdings Debentures in any six month period; provided that (i) no Event of Default or event which with the giving of notice or passage of time would constitute an Event of Default shall occur after giving effect to such Restricted Payments; (ii) the Indebtedness to Net Worth Ratio of the Company is not more than 2.9 to 1 at the time of, and after giving effect to, such Restricted Payment, (iii) the Consolidated Net Worth of the Company is more than $160 million at the time of, and after giving effect to, such Restricted Payment, and (iv) the Consolidated Fixed Charge Ratio of the Company is more than 1.5 to 1 after giving pro forma effect to such Restricted Payment by subtracting the amount of such Restricted Payment from the amount of Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio; or

D. Restricted Payments to Holdings to allow Holdings to pay income taxes, provided that such Restricted Payment may not exceed the lesser of (i) income taxes actually paid by Holdings and (ii) the amount of income taxes which would be paid by the Company if it were the tax paying entity; or

E. Restricted Payments to Holdings to finance the purchase from

terminated management employees of the Company of Capital Stock or Indebtedness of Holdings; provided that the

aggregate amount of such Restricted Payments which may be outstanding at any time may not exceed $5 million; and provided further that if such amounts are not repaid by Holdings to the Company within six months of such advance, the amount available for Restricted Payments shall be reduced by the amount of such Restricted Payment until repaid to the Company; or

F. Restricted Payments for (i) actual legal, accounting and other operating expenses (which shall not in any event include any interest payments on Indebtedness or management or similar fees) of Holdings to the extent reasonably necessary to permit Holdings to perform its obligations under the Holdings Debentures (other than the payment of interest), subscription and stockholder agreements pursuant to which Company Common Stock is issued or issuable and the transactions and matters contemplated thereby, including the obtaining of officers' and directors' liability insurance and indemnification agreements or (ii) actual fees and expenses incurred in connection with the refinancing by Holdings of the Holdings Debentures; or

G. Restricted Payments to finance loans made to management employees (i) in the ordinary course of business or (ii) in an aggregate principal amount outstanding at any time not to exceed $1,000,000 in connection with the exercise of employee stock options and any costs or expenses (including taxes) incurred in connection therewith; or

H. Restricted Payments made to refinance Indebtedness subordinated in right of payment to the New Notes with the proceeds of Indebtedness as permitted by the New Indenture; or

I. Restricted Payments required to be made pursuant to Section 262 (i) of the Delaware General Corporation Law (or any successor statute) or payments pursuant to settlement agreements with holders of Shares that have perfected appraisal rights thereunder in an amount not in excess of $31 per share; or

J. Restricted Payments to redeem prior to maturity the Company's Convertible Debentures.

K. Restricted Payments to Holdings to finance the repurchase of common stock of Holdings or the redemption of Holdings Debentures, for an aggregate repurchase or redemption price not in excess of $1,500,000 plus accrued interest on the Holdings Debentures, if (i) such repurchase and/or redemption occurs substantially simultaneously with (x) the sale of common stock (or the granting of options to purchase common stock) or Holdings Debentures for cash to management employees of Alco and its Subsidiaries, or (y) the surrender by management employees of Alco and its Subsidiaries of options to purchase the common stock of Alco, and

(ii) the amount paid by Holdings in respect of such repurchase or redemption does not exceed the aggregate of the cash proceeds so received and value of Alco common stock options so surrendered.

Restrictions on Additional Indebtedness and Liens. The New Indenture provides that, subject to the other provisions of the New Indenture, the Company will not, and will not permit any of its Subsidiaries, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness other than the New Notes unless the Company's Consolidated Fixed Charge Ratio for its four full fiscal quarters next preceding the date such additional Indebtedness is created, incurred, assumed or guaranteed would have been at least 1.5 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds of such Indebtedness and after giving effect on a pro forma basis to any acquisition of assets as if such acquisition had occurred at the beginning of such period) as if the additional Indebtedness had been created, incurred, assumed or guaranteed at the beginning of the period.

The foregoing limitations notwithstanding, the Company and its Subsidiaries may create, incur, assume or guarantee additional:

(a) Indebtedness of its Subsidiaries which is existing and remains outstanding immediately after the Merger or the incurrence by the Company of Indebtedness represented by the New Notes or Indebtedness pursuant to the Credit Agreement in an aggregate principal amount not to exceed $350 million, less any amounts required to be repaid (and which may not be reborrowed) in accordance with the repayment provisions of the Credit Agreement as in effect at the date of the New Indenture, without giving effect to any amendments, alterations or waivers of any provisions thereof.

(b) Indebtedness in connection with or arising out of obligations for property acquired in the ordinary course of business or other similar financing transactions of up to an aggregate of $10 million at any one time outstanding; provided, however, that the Company and its Subsidiaries may create, incur, assume or guarantee additional Indebtedness in connection with or arising out of Capital Lease obligations or purchase money indebtedness of up to an aggregate of $5 million per fiscal year.

(c) Indebtedness of up to an aggregate principal amount of $35 million, all or a portion of which may be Indebtedness pursuant to the Credit Agreement.

(d) Indebtedness the proceeds of which are used to refinance outstanding Indebtedness (other than borrowings under the Credit Agreement) of the Company or any of its Subsidiaries in a principal amount (or, if such Indebtedness is issued with original issue discount, in a principal amount equal to the original issue price of such Indebtedness plus accretion, if any) not to exceed the principal amount

so refinanced; provided that Indebtedness the proceeds of which are used to refinance the New Notes or other Indebtedness of the Company which is subordinated in right to payment to the New Notes shall only be permitted (1) if the New Notes are refinanced in part, such Indebtedness is expressly made pari passu or subordinate in right of payment to the remaining New Notes, (2) if the Indebtedness to be refinanced is subordinated in right of payment to the New Notes, the Indebtedness incurred in the refinancing is subordinated in right of payment to the New Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the New Notes, and (3) if the New Notes are refinanced in part or if the Indebtedness to be refinanced is subordinated in right of payment to the New Notes and matures after the maturity date of the New Notes, such Indebtedness determined as of the date of incurrence does not have a final maturity (after assuming the exercise of any and all unconditional (other than as to the giving of notice) options to extend the maturity thereof) prior to the final scheduled maturity date of the New Notes; and provided, further, that in no event shall any Subsidiary of the Company, create, incur or assume any Indebtedness the proceeds of which are used to refinance Indebtedness of the Company.

(e) Indebtedness (including commercial paper) that serves to refund or refinance all or any portion of borrowings then outstanding under the Credit Agreement (the "Refinancing Indebtedness"), provided that such

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Refinancing Indebtedness is in an aggregate principal amount not greater than the greater of (i) the aggregate principal amount of such Indebtedness outstanding at the time of the refunding or refinancing and (ii) 90% of the sum of, as determined on a consolidated basis at the time of the refunding or refinancing, its (a) accounts receivable, (b) inventory valued on a FIFO basis and (c) the fair market value of property, plant and equipment; provided, however, that in no event may the aggregate principal amount of such Refinancing Indebtedness exceed $350 million.

(f) Indebtedness (a) under Interest Swap Obligations, (b) evidenced by letters of credit issued in the ordinary course of business or reimbursement obligations in respect thereof and (c) for bank overdrafts that are repaid in three Business Days.

(g) Indebtedness in respect of performance bonds provided by the Company and its Subsidiaries in the ordinary course of business, and refinancings thereof.

(h) Indebtedness to the Company or a Subsidiary of the Company or, if such Indebtedness would be permitted as a Restricted Payment, to Holdings.

(i) Indebtedness that constitutes an accrued expense or a trade payable which is overdue by more than 60 days.

(j) Indebtedness of independent pharmaceutical stores in the ordinary course consistent with past practice in an aggregate principal amount at

any time outstanding not in excess of $20,000,000.

(k) Junior Indebtedness in an aggregate principal amount not to exceed $20 million at any time; provided, however, that the Consolidated Fixed Charge Ratio, after giving effect to the incurrence of such additional Junior Indebtedness shall be at least 1.2 to 1.

Notwithstanding the foregoing, the Company will not permit any Subsidiary, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become liable with respect to, contingently or otherwise, any Indebtedness except as specifically permitted in clauses (a) through (k) above with respect to Subsidiaries.

Restrictions on Dividends and Other Payment Restrictions Affecting Subsidiaries. The New Indenture provides that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or any other equity interest or participation in or measured by, its profits, owned by the Company or any Subsidiary, or pay any Indebtedness owed to the Company or any Subsidiary, (b) make loans or advances to the Company or any Subsidiary, or (c) transfer any of its properties or assets to the Company or any Subsidiary, except for such encumbrances or restrictions existing under or by reasons of (i) applicable law, (ii) the New Indenture; (iii) the Credit Agreement or any agreement with respect to Refinancing Indebtedness, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Company or any Subsidiary, (v) customary restrictions contained in agreements with suppliers or customers, (vi) any instrument governing Indebtedness of a Person acquired by the Company or any Subsidiary at the time of such acquisition, which encumbrance or restriction is not applicable to any Person, other than the Person, so acquired, or (vii) Indebtedness existing on the date of the New Indenture.

Restrictions on Sale and Issuance of Subsidiary Stock. The New Indenture provides that the Company will not permit any of its Subsidiaries to issue any shares of its Capital Stock, including any rights or warrants or options with respect thereto, to any Person other than the Company or one or more wholly-owned Subsidiaries.

Restrictions on Sale of Business Segments. The New Indenture provides that neither the Company nor any Subsidiary may sell, lease, convey or otherwise dispose of any Business Segment unless at least 75% of the consideration therefor received by the Company or such Subsidiary, prior to giving effect to any assumption of indebtedness or liabilities by the purchaser of the Business Segment, are in the form of cash.

Subject to the rights of holders of Senior Indebtedness, the Company may apply, at its election, the Net Proceeds from an Asset Sale to either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding or (ii) to an investment in an asset or business in the same line of business as the Company or to expenditures in the business of the Company provided such investment or expenditure occurs within 360 days from receipt of such Net Proceeds; or (iii) to an offer to repurchase outstanding New Notes, at a

purchase price of 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase, in the manner set forth in the New Indenture. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the

foregoing clauses, then, if permitted pursuant to the terms of the New Indenture, the Company may make Restricted Payments.

In the event that the Net Proceeds from a single Asset Sale, whether received in a single transaction or series of transactions, exceed $75,000,000, the Company may apply, at its election, the Net Proceeds from an Asset Sale to either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding or (ii) to make an offer to repurchase outstanding New Notes, at a purchase price of 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase, in the manner set forth in the New Indenture. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the foregoing clauses, then, if permitted pursuant to the terms of the New Indenture, the Company may make Restricted Payments.

Restrictions on Transactions With Shareholders and Affiliates. The New Indenture provides, except as otherwise set forth therein, that the Company will not, and will not permit any Subsidiary of the Company to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or other assets or the rendering of any service or the making of any loan or advance or the guarantee of any indebtedness) with any holder of 10% or more of any class of equity securities of Holdings, any Subsidiary of Holdings or any Affiliates of any thereof or of any such holder, on terms that are materially less favorable to Holdings or such Subsidiary or Affiliate, as the case may be, than those which might be obtained at the time from persons who are not such a holder or Affiliate; provided that the foregoing restrictions shall not apply to any transaction between the Company and any of its wholly-owned Subsidiaries; provided, further, that the foregoing restrictions shall not apply to (i) stock and debt purchase arrangements of Holdings and the Company with the employees of the Company and its Subsidiaries, (ii) any arrangement for investment banking or similar services with the Underwriter pursuant to which the Underwriter receives reasonable compensation therefor, and (iii) provided, further, that the foregoing restrictions shall not apply to any arrangements entered into on or prior to the date of the Existing Indenture between the Company and/or Holdings and/or any of their respective Subsidiaries or Affiliates and CVCL and/or any of its Subsidiaries or Affiliates, for services rendered on or prior to the date of the Existing Indenture by CVCL.

Restrictions on Material Acquisitions. The New Indenture provides that neither the Company nor any Subsidiary may participate as the acquiring party in a Material Acquisition unless the following conditions are met: (i) no Default or Event of Default exists as a result of and after giving effect to the Material Acquisition; (ii) after giving effect to the Material Acquisition on a pro forma basis and immediately thereafter, the Company shall (a) be permitted

to incur at least $1.00 of additional Indebtedness pursuant to the New Indenture or (b) have a Consolidated Fixed Charge Ratio of at least 1.3 to 1; provided that, in the case of (b) hereof, if such Consolidated Fixed Charge Ratio is 1.5 to 1 or less, then the Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least equal to the Consolidated Fixed Charge Ratio prior thereto; and (iii) subject to the New Indenture, any business acquired as part of a Material Acquisition shall be consolidated with or merged into or made a Subsidiary of the Company, and shall be in the same or related line of business as the Company and its Subsidiaries.

Restrictions on Issuance of Additional Senior Subordinated Indebtedness. The New Indenture provides that the Company may not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Indebtedness and senior in any respect in right of payment to the New Notes other than Indebtedness of the Company under the Credit Agreement guaranteed by CVCL or any of its affiliates in an aggregate principal amount of not greater than $20 million at any one time outstanding; provided, however, that additional borrowings are otherwise unavailable to the Company (i) as advances in aggregate amounts exceeding the borrowing base provisions of the Credit Agreement or (ii) as a result of any default which has occurred and is continuing with respect to the financial covenants of the Credit Agreement at the time of incurrence by the Company of such Indebtedness.

Change of Control. (a) The New Indenture provides that if, at any time, (i) any issuance of shares of capital stock of Holdings or any sale, transfer or other disposition of any shares of capital stock of

Holdings or the Holdings Debentures by any Person to any Person (other than an affiliate of CVCL or an officer, director or employee of CVCL or Alco) results in CVCL, its affiliates and officers, directors and employees of CVCL and Alco holding less than 50% of either (a) the total common equity interest in Holdings or the total voting power of all the outstanding shares of capital stock of Holdings entitled to vote in the election of directors of Holdings or (b) the aggregate principal amount outstanding of Holdings Debentures or Refinancing Debentures, as the case may be, or (ii) Holdings owns less than 80% of the outstanding shares of voting stock of the Company (each, a "Change of Control")
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each holder of New Notes shall have the right to require that the Company repurchase such holder's New Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, in accordance with the terms contemplated in paragraph (b) below; provided, however, that a Change of Control pursuant to clause (i) of this sentence will be deemed not to have occurred if, at the time of any such issuance, sale, transfer or disposition, the Consolidated Fixed Charge Ratio is greater than 1.5 to 1. The Company has covenanted in the New Indenture that, prior to the mailing of the notice to holders provided for in paragraph (b) below, it will repay in full all Indebtedness under the Credit Agreement or offer to repay in full all such Indebtedness and to repay the Indebtedness of each lender who has accepted such offer. The Company must first comply with the

covenant in the preceding sentence before the Company shall be required to repurchase New Notes pursuant to this provision.

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each holder of New Notes stating:

(1) that a Change of Control has occurred and that such holder has the right to require the Company to repurchase such holder's New Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase;

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 40 days from the date such notice is mailed); and

(4) the instructions a holder must follow in order to have its New Notes repurchased.

Merger, Consolidation, or Sale of Assets. The New Indenture provides that the Company may not consolidate or merge with or into or sell, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person unless: (i) the successor entity or the Person to which such sale, assignment, transfer or lease or conveyance shall have been made is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the successor corporation or the corporation to which such sale or conveyance shall have been made expressly assumes by supplemental indenture all the obligations of the Company under the New Notes and the New Indenture; (iii) immediately before and immediately after such transaction, and giving effect thereto, no Default or Event of Default exists; and (iv) the successor corporation or the corporation to which such sale or conveyance shall have been made (a) shall have Consolidated Net Worth (immediately after the transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (b) shall be permitted immediately after the transaction by the terms of the New Indenture to incur at least $1.00 of additional Indebtedness or have a Consolidated Fixed Charge Ratio of at least 1.1 to 1; provided that, in the case of (b) hereof, if such Consolidated Fixed Charge Ratio is 1.5 to l or less, then the Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least 0.1 to l greater than the Consolidated Fixed Charge Ratio prior thereto.

Events of Default and Remedies

The New Indenture provides that an Event of Default is: default for 30 days in payment of interest on the New Notes; default in payment when due of principal; failure by the Company for 30 days after notice to comply with any of its other agreements or covenants in, or provisions of the New Indenture or the

New Notes (including, without limitation, the Company's covenant to repay or offer to repay Indebtedness under the Credit Agreement under the circumstances described under "Change of Control" above); default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company in an amount over $10 million in the aggregate which default results in the acceleration of such Indebtedness in excess of $10 million; failure by the Company to pay certain final judgments aggregating in excess of $10 million which judgments remain undischarged, unstayed or unbonded for 60 days after their entry by a competent tribunal; and certain events of bankruptcy or insolvency.

If any Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding New Notes by written notice to the Company may declare all the New Notes to be due and payable immediately; except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding New Notes become due and payable without further action or notice. Holders of the New Notes may not enforce the New Indenture or the New Notes except as provided in the New Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding New Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the New Notes notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

The holders of a majority in aggregate principal amount of the New Notes then outstanding may, on behalf of the holders of all of the New Notes, waive any past Default or Event of Default under the New Indenture and its consequences, except a Default in the payment of interest on, or the principal of, the New Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the New Indenture, and, upon an officer of the Company becoming aware of any Default or Event of Default, a statement specifying such Default or Event of Default.

Satisfaction and Discharge of the New Indenture

The New Indenture shall cease to be of further effect when all outstanding New Notes have been delivered to the Trustee for cancellation, and the Company has paid all sums payable under the New Indenture. In addition, the Company may terminate the New Indenture by deposit with the Trustee of money or U.S. Government Obligations sufficient to pay at maturity or redemption the outstanding principal amount of, premium, if any, on and interest on the New Notes. In connection with any such deposit, the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all requirements under the New Indenture for such discharge have been met and an opinion of a nationally recognized accounting firm that such money or U.S. Government Obligations are sufficient to pay the New Notes in full on the date contemplated. Upon meeting such requirements, the Company will be released from its obligations under the New Indenture except as they relate to the continued existence of the New Notes, payment of the New Notes and compensation and indemnification of the Trustee.

Transfer and Exchange

The New Indenture provides that a holder may transfer or exchange New Notes in accordance with the New Indenture. The Registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the New Indenture. The Registrar is not required to transfer or exchange any New Note selected for redemption. Also, the Registrar is not required to transfer or exchange any New Note for a period of 15

days before a selection of New Notes to be redeemed or between a record date and the next succeeding interest payment date.

The registered holder of a New Note will be treated as its owner for all purposes.

Amendment, Supplement and Waiver

The New Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66-2/3% in principal amount of the outstanding New Notes, to enter into any supplemental indenture for the purpose of adding, changing or eliminating any of the provisions of the New Indenture, or of modifying in any manner the rights of the holders of the New Notes under the New Indenture, provided that no such supplemental indenture may without the consent of the holder of each outstanding New Note affected thereby (i) reduce the amount of New Notes whose holders must consent to an amendment or waiver; (ii) reduce the rate of or change the time for payment of interest, including default interest, on any New Notes; (iii) reduce the principal of or change the fixed maturity of any New Notes or alter the redemption or repurchase provisions with respect thereto; (iv) make any New Notes payable in money other than that stated in the New Notes; (v) make any change in provisions relating to waivers of defaults, the ability of holders to enforce their rights under the New Indenture or in the matters discussed in these clauses (i) through (vii); (vi) make any change in the amendment provisions that adversely affects the rights of any holder of the New Notes; or (vii) waive a default in the payment of principal of or interest on, or redemption payment with respect to, any New Note.

Concerning the Trustee

The Trustee for the New Notes is Bankers Trust Company. The New Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined) it must eliminate such conflict or resign.

The holders of a majority in principal amount of the then outstanding New

Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The New Indenture provides that in case a Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the New Indenture at the request of any of the holders of the New Notes, unless they shall have offered to the Trustee security and indemnity satisfactory to it.

MARKET PRICES OF THE EXISTING NOTES

The Existing Notes are traded in the over-the-counter market by certain dealers who from time to time are willing to make a market in such securities. Trading of the Existing Notes is, however, extremely limited. Prices and trading volume of the Existing Notes in the over-the-counter market are not reported and are difficult to monitor. To the extent that Existing Notes are traded, prices may fluctuate widely depending on, among other things, the trading volume and the balance between buy and sell orders.

To the extent that Existing Notes are tendered and accepted in the Exchange Offer, the trading market for Existing Notes will become even more limited. See "PURPOSES AND EFFECTS OF THE EXCHANGE OFFER -- Certain Consequences to Non-Tendering Holders of Existing Notes" and "RISK FACTORS - Lack of Public Market; Market Value."

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain federal income tax considerations that may be relevant to persons acquiring, holding or disposing of the New Notes. This summary is for general informational purposes only and does not purport to address specific tax consequences that may be relevant to certain persons (including, for example, foreign persons, financial institutions, broker-dealers, insurance companies or tax-exempt organizations).

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations, administrative rulings and judicial
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decisions now in effect (or, in the case of certain Treasury regulations, proposed), all of which are subject to change (possibly with retroactive effect) or different interpretations. In addition, the discussion is limited to persons that have held the Existing Notes, and intend to hold the New Notes as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. ALL HOLDERS OF EXISTING NOTES ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THEIR PARTICIPATION IN THE EXCHANGE OFFER.

Consequences of the Exchange -- In General

The Company believes that the exchange of Existing Notes for the New Notes and the Cash Consideration pursuant to the Exchange Offer will be treated as a reorganization for federal income tax purposes. Consequently, (i) a holder of Existing Notes that participates in the Exchange Offer will recognize gain (in addition to any gain that may be recognized as a result of the payment of accrued interest on the Existing Notes, see "-- Amounts Paid on Account of Accrued Interest", below) only to the extent that the amount realized on account of the receipt of the New Notes and the Cash Consideration exceeds the principal amount of the Existing Notes surrendered therefor and (ii) a holder of Existing Notes will not recognize any loss as a result of participating in the Exchange Offer.

The Company believes that the amount realized as a result of the receipt of the New Notes will be equal to their "issue price" as determined under the original issue discount provisions of the Code. The issue price of the New Notes will depend upon whether the Notes or the Existing Notes are considered traded on an established securities market under the original issue discount rules. In general, these debt instruments will be considered traded on an established securities market if, within 30 days prior to or following the issuance of the New Notes, the Existing Notes or the New Notes (i) are traded on a national securities exchange or an interdealer quotation system sponsored by a national securities association or (ii) appear on a system of general circulation that provides a reasonable basis for determining fair market value by providing recent price quotations of one or more identified brokers, dealers or traders or actual price quotations of recent sales transactions.

If the New Notes are considered traded on an established securities market as described above, the issue price of the New Notes will be equal to the fair market value of the New Notes as established by the trading information. If the New Notes are not traded on an established securities market, but the Existing Notes are so traded, the issue price of the New Notes will be determined with reference to the fair market value of the Existing Notes as established by the trading information. If neither the Existing Notes nor the New Notes are traded on an established securities market, then the issue price of New Notes will be equal to their face amount, as determined under Section 1274 of the Code.

The Company believes it is likely, based on discussions with its Financial Advisor, that the New Notes will be considered traded on an established securities market and that the Existing Notes have been so traded. As a result, the Company believes it is likely that the issue price of the New Notes will be determined with respect to the trading price of the New Notes (or if the New Notes are not traded on an established securities market with respect to the trading price of the Existing Notes). Assuming that such debt instruments are trading at a premium to their face amount, participating holders that realize a gain on the exchange will, in addition to recognizing gain on account of the receipt of the Cash Consideration, recognize gain to the extent the issue price of the New Notes exceeds the principal amount of the Existing Notes.

In general, any gain recognized by a holder of an Existing Note upon the

exchange will be treated as capital gain rather than as ordinary income, except to the extent that the gain is attributable to accrued market discount not previously included in income (see "-- Market Discount" below). Any such capital gain will be long-term capital gain if the Existing Notes were held for more than one year. A holder's tax basis in the New Notes received in the exchange will equal the holder's tax basis in the Existing Notes before the exchange (a) decreased by the amount of the Cash Consideration received and (b) increased by any gain recognized on the exchange. The holder's holding period for the New Notes received in the exchange will include the period during which the Existing Notes were held, except to the extent that the receipt of the New Notes is recognized as gain.

The foregoing discussion assumes, as the Company believes should be the case, that the New Notes constitute "securities" for purposes of the Code sections which provide for nonrecognition of gain upon the receipt of "stock or securities" in a reorganization. If the New Notes were determined not to constitute "securities", then (i) the holder would recognize gain or loss on the exchange in an amount, equal to the difference between (x) the sum of the amount of Cash Consideration received, plus the "issue price" of the New Notes received (determined under the rules discussed above) and the holder's tax basis in the Existing Notes, (ii) the holder's tax basis in the New Notes would equal their issue price on the exchange date, (iii) the holder's holding period in the New Notes would commence on the day after the exchange date.

Amounts Paid on Account of Accrued Interest

A holder that receives a payment on account of accrued interest on the Existing Notes and that has not previously accrued such interest in income will recognize ordinary income to the extent of the payment received.

Original Issue Discount on the New Notes

As it is not anticipated that the New Notes will have an issue price below their stated principal amount, the New Notes should not bear original issue discount ("OID") as defined in Section 1273(a)(1) of the Code. As a result, the holders of the New Notes will not recognize any OID income and the Company will not be entitled to deduct any OID expense with respect to the New Notes.

Market Discount

If a holder purchased an Existing Note at a "market discount" (i.e., at a price less than its stated redemption price at maturity), then any gain recognized by the holder on the exchange (determined in the manner discussed above) will be treated as ordinary income, rather than capital gain, to the extent of the portion of such market discount which accrued between the date of purchase of the Existing Note and the

exchange date (unless the holder has elected to include market discount in income as it accrues). In general, market discount accrues over the remaining

life of a debt instrument on a straight-line basis unless the holder elects to use a constant yield basis.

Any accrued market discount on the Existing Notes not recognized on or prior to the exchange will be carried over to the New Notes. If the New Notes are considered "market discount bonds" (i.e., the holder's tax basis in the New Notes determined in the manner discussed above is less than their stated redemption price at maturity), then any gain on the disposition of the New Notes generally will be treated as ordinary income to the extent of the accrued market discount on the New Notes, which will include any accrued but unrecognized market discount on the Existing Notes (or an allocable portion thereof).

Amortizable Bond Premium on the New Notes

If an exchanging holder is considered to have acquired the New Notes at a premium (i.e., that holder's tax basis in the New Notes determined in the manner discussed above exceeds the stated principal amount of the New Notes), then the holder may elect to amortize such bond premium over the term of the New Notes on a constant yield basis. The amount of amortized bond premium in any year is applied to reduce the interest income on the New Notes in such year. An election to amortize bond premium applies to all bonds held by the taxpayer at the beginning of the taxable year to which the election applies or subsequently acquired and is binding for all subsequent taxable years unless the holder receives permission to revoke the election.

Sale, Exchange or Redemption of New Notes or Shares

In general, the sale, exchange or redemption of the New Notes will result in gain or loss equal to the difference between the amount realized and the holder's adjusted tax basis on the New Notes immediately before the transaction. Subject to the special rules discussed above under "Market Discount", any such gain or loss on the sale, exchange or redemption of the New Notes will be capital gain or loss.

Backup Withholding

Under the backup withholding rules, a holder of New Notes may be subject to backup withholding at the rate of 31% with respect to interest paid on, and the proceeds of the sale, exchange or redemption of, the New Notes unless the holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates that fact, or (b) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Each exchanging holder of an Existing Note will be required to certify his correct taxpayer identification number or basis for exemption in order to avoid 31% backup withholding on the payments with respect to the New Notes.

LEGAL MATTERS

Certain legal matters in connection with the New Notes offered hereby will be passed upon by Dechert Price & Rhoads, counsel to the Company.

INDEPENDENT AUDITORS

The Company's audited financial statements included in Annex I to this Offering Circular have been audited by Ernst & Young, independent auditors, as set forth in their report with respect thereto.

APPENDIX A

DESCRIPTION OF EXISTING NOTES

General

The Existing Notes were issued pursuant to an Indenture dated as of September 25, 1989 (the "Existing Indenture") between the Company (herein the "Company" or "Alco") and Mellon Bank, N.A., as trustee (the "Existing Trustee"). The terms of the Existing Notes include those stated in the Existing Note Indenture and those made part of the Existing Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act") as in effect on the date of the Existing Note Indenture. The Existing Notes are subject to all such terms, and holders of the Existing Notes are referred to the Existing Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the Existing Indenture does not purport to be complete and is qualified in its entirety by reference to the Existing Indenture, including the definitions therein of certain terms used below. Capitalized terms not otherwise defined in this Appendix A have the meanings given them in the Existing Indenture.

The Existing Notes are general unsecured obligations of the Company limited to $175,000,000 in aggregate principal amount. The Existing Notes bear interest at the rate per annum of 14-1/2%, payable semi-annually on March 15 and September 15 in each year to holders of record of Existing Notes at the close of business on March l or September l next preceding the interest payment date. Interest initially accrued from September 25, 1989 and the first interest payment date was March 15, 1990. The Company shall pay interest on overdue principal at the rate borne by the Existing Notes; it shall pay interest to the extent permitted by law without regard to any applicable grace periods on overdue installments of interest at the rate borne by the Existing Notes. Interest is computed on the basis of twelve 30-day periods in a 360-day year. The Existing Notes mature on September 15, 1999, and were issued in denominations of $1,000 and integral multiples thereof.

Principal and interest on the Existing Notes are payable, and the Existing Notes may be presented for registration of transfer or exchange at the respective offices of the Paying Agent and Registrar in New York, New York.

The Company may pay principal and interest by check and may mail interest

checks to a holder's registered address. The Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with certain transfers or exchanges. The Existing Note Trustee acts as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without prior notice to noteholders. The Company may act as Paying Agent or Registrar.

Redemption of Existing Notes

Optional Redemption. The Existing Notes are redeemable, at the option of the Company, in whole or in part, on at least 30 but not more than 60 days' notice to each holder of Existing Notes to be redeemed, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period beginning September 15 of the years indicated below. The Existing Notes may not be so redeemed prior to September 15, 1994.

<TABLE>
<CAPTION>

Year	Percentage
<S>	<C>
1994	106.00%
1995	104.00%
1996	102.00%
1997 and thereafter	100.00%

</TABLE>

Mandatory Redemption or Repurchase. If, for the 12 month period ending on each of August 31,1996 and 1997, the Company's Consolidated Fixed Charge Ratio (as defined) exceeds 1.5 to 1,

the Company shall be required, within 90 days from such August 31 (the "Repurchase Date"), to redeem or otherwise repurchase in the open market and retire 5% and 10%, respectively, of the principal amount of Existing Notes offered hereby. Notwithstanding the requirement in the preceding sentence, the Company shall not be required to make such redemption or repurchase until such time, and to the extent, funds become available under the Credit Agreement or any successor or replacement facility. In addition, the Company is required to redeem on August 31, 1998 (the "Redemption Date") 50% of the aggregate principal amount of Existing Notes originally issued at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued interest to the Redemption Date. The Company, at its option, may reduce the principal amount of Existing Notes required to be redeemed or otherwise repurchased, as the case may be, on each Repurchase Date or Redemption Date by subtracting 100% of the principal amount of Existing Notes that the Company has delivered to the Existing Trustee for cancellation or that the Company has redeemed or repurchased on or prior to the Repurchase Date or Redemption Date, as the case may be, and, in the case of a mandatory repurchase, which have not previously

been used as a credit against a prior mandatory repurchase.

The Company may be required under certain circumstances to make an offer to redeem a portion of the Existing Notes if (i) the Company's Consolidated Net Worth (as defined herein) falls below a certain specified level, (ii) the Company or any subsidiary consummates an Asset Sale (as defined herein) at certain times or (iii) a Change of Control (as defined) occurs at certain times. See "- Certain Covenants" below.

Selection and Notice. In the event of a redemption of less than all of the Existing Notes, the Existing Notes will be chosen for redemption by the Existing Trustee pro rata, by lot or by any other method that the Existing Trustee considers fair and appropriate and, if the Existing Notes are listed on any securities exchange, by a method that complies with the requirements of such exchange. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each holder of Existing Notes to be redeemed at its registered address. On and after the Redemption Date, interest ceases to accrue on Existing Notes or portions thereof called for redemption.

Subordination

The payment of the principal of, premium, if any, and interest on the Existing Notes is subordinated in right of payment, as set forth in the Existing Indenture, to the prior payment in full of all Senior Indebtedness (as defined below), whether outstanding on the date of the Existing Indenture or thereafter created, and all permissible renewals, extensions, refundings or refinancings thereof.

Upon (i) insolvency, bankruptcy, reorganization, receivership or other similar proceedings of the Company or (ii) the acceleration of any Senior Indebtedness which is not rescinded, all Senior Indebtedness must be paid in full, or provision made for such payment, before any payment or distribution is made upon principal, premium, if any, and interest with respect to the Existing Notes. No payments may be made with respect to the principal of, premium, if any, and interest on the Existing Notes if a default has occurred in the payment of any Senior Indebtedness (unless such default is cured or waived). In addition, if a non-payment event of default has occurred (unless such event of default is cured or waived) under any Senior Indebtedness that would permit the acceleration of the maturity thereof, no payments may be made by the Company with respect to the principal of, premium, if any, or any interest on the Existing Notes, for a period (a "Payment Blockage Period") commencing on (A) the earlier of the date of receipt of notice of such event of default from the Credit Agent of the Senior Indebtedness to which such default relates, or if such event of default results from the acceleration of the Existing Notes, the date of such acceleration, and ending 179 days thereafter or (B) the date of receipt of notice of such event of default from the Representative for the holders of the Specified Senior Indebtedness (as defined below) (or the holders of at least 25% of the principal amount of such Specified Senior Indebtedness) and ending 119 days thereafter; provided, however, that (x) no more than two Payment Blockage Periods may be commenced during any period of 360 consecutive days, (y) only the Credit Agent may commence the second such Payment Blockage Period during such 360 consecutive day period if the first Payment Blockage Period was commenced by or on behalf of the Specified Senior Indebtedness and

(z) if the first

Payment Blockage Period in a 360-day period was commenced by the Credit Agent, all scheduled payments of principal and interest due on the Existing Notes on and prior to the date of the termination of such first Payment Blockage Period shall have been paid in full before a second Payment Blockage Period may be commenced during such 360-day period. Notwithstanding the foregoing, in no event may the total number of days during which any Payment Blockage Period or Periods may be in effect during any 360 consecutive day period exceed 179 days in the aggregate. For the purpose of this provision, no default which existed or was continuing on the date of commencement by any person of any Payment Blockage Period and of which such person had knowledge shall be the basis for the commencement of a second Payment Blockage Period by such person, unless such default shall have been cured or waived for a period of not less than 90 consecutive days. Failure to make payments required in respect of the Existing Notes due to the foregoing, however, will not preclude such failure from constituting an Event of Default under the Existing Indenture.

As a result of these subordination provisions, in the event of the Company's insolvency, holders of the Existing Notes may recover ratably less than general creditors of the Company.

"Senior Indebtedness" means (i) all Indebtedness (as defined below) (including Interest Swap Obligations) (present or future) created, incurred, assumed or guaranteed by the Company, and (ii) all Obligations now or hereafter existing under the Credit Agreement (including all permissible renewals, extensions, refundings or refinancings thereof), unless the instrument governing such Indebtedness expressly provides in each case that such Indebtedness is not senior or superior in right of payment to the Existing Notes; provided, however, that any Indebtedness which is subordinated in right of payment to any other Indebtedness of the Company shall not constitute Senior Indebtedness. Notwithstanding the foregoing, Senior Indebtedness shall not include Indebtedness of the Company to any of its Subsidiaries or Indebtedness incurred for the purchase of goods or services obtained in the ordinary course of business. As of June 30, 1989, after giving effect to the Merger, the financing thereof and related transactions, the principal amount of Senior Indebtedness outstanding would have been approximately $272.2 million.

"Specified Senior Indebtedness" means any issue of Senior Indebtedness (other than Bank Debt) having a principal amount of at least $50,000,000. For purposes of this definition, a refinancing of any Indebtedness shall be treated as such only if it ranks or would rank on a pari passu basis with the Indebtedness refinanced.

The Existing Indenture limits, subject to certain financial tests, the amount of additional Indebtedness, including Senior Indebtedness, which the Company or any of its Subsidiaries can create, incur, assume or guarantee. The Existing Indenture prohibits the Company from creating, incurring, assuming or guaranteeing any Indebtedness which is subordinate to any other Indebtedness of

the Company but senior in right of payment to the Existing Notes.

Certain Definitions

All ratios and computations in the Existing Indenture based on generally accepted accounting principles contained in the Existing Indenture shall be computed in accordance with generally accepted accounting principles except that calculations made for the purpose of determining compliance with the terms of the covenants of the Existing Indenture and other provisions of the Existing Indenture shall utilize accounting principles and policies in effect at the time of preparation of, and in conformity with those used to prepare, the historical financial statements of the Company for the fiscal year ended September 30, 1988 and shall be made without giving effect to adjustments in component amounts required or permitted by Accounting Principles Board Opinions Nos. 16 and 17 as a result of the Merger and for any expenses incurred in connection with the Merger and the financing thereof pursuant to the Existing Indenture and the Credit Agreement. Notwithstanding anything to the contrary contained herein, each accounting term used herein shall be used as if, and each financial test shall be calculated as if, the Company and its Subsidiaries valued inventory on a first-in, first-out basis (other than with respect to the calculation of taxes) and without regard to the effects of Emerging Issues Task Force 86-16.

Set forth below is a summary of certain of the defined terms used in the Existing Indenture. Reference is made to the Existing Indenture for the full definition of all of such terms as well as any other capitalized terms used herein for which no definition is provided.

"Affiliate" of a Person means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Asset Sale" means any sale, transfer or other disposition of assets or rights (including, without limitation, dispositions pursuant to merger, consolidation or sale leaseback transactions) by a Person or one of such Person's Subsidiaries to any Person other than such Person or one of such Person's Subsidiaries of a Business Segment.

"Business Segment" means any assets, group of assets, any Subsidiary, or stock of a Subsidiary owned as of the date of the Existing Indenture or thereafter acquired by the Company or a Subsidiary, which constitute 10% or more of the assets, operating revenues or EBIT of the Company (as determined on a consolidated basis in conformity with generally accepted accounting principles).

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with generally accepted accounting principles, is accounted for as a capital lease on the balance sheet of such Person.

"Consolidated Gross Cash Flow" shall mean with respect to any Person, for any period for which it is to be determined (x) the sum of such Person's (i) Earnings Before Interest and Taxes ("EBIT") computed without giving effect to any nonrecurring gains and losses (other than in the ordinary course of business); and (ii) to the extent earnings have been reduced thereby, depreciation expenses, amortization expenses and other non-cash expenses; minus (y) the sum of such Person's (i) non-cash items to the extent earnings have been increased thereby and (ii) 25% of the increase, if any, in such Person's Net Working Capital (if positive) during such period, or 25% of the decrease, if any, in such Person's Net Working Capital (if negative) during such period, all as determined on a consolidated basis in conformity with, except as noted above, generally accepted accounting principles; provided, that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Gross Cash Flow (if positive) attributable to the assets which are the subject of such Asset Sales for such period or increased by an amount equal to the Consolidated Gross Cash Flow (if negative) attributable thereto for such period, in either case as if such Asset Sale had occurred on the first day of such period; and provided, further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Gross Cash Flow of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Gross Cash Flow attributable to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Fixed Charges" of any Person is defined as, for any period, the sum of Consolidated Interest Expense and Preferred Stock Dividends; provided, that if, during such period, such Person or any of its Subsidiaries shall have made any Asset Sales, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to the assets which are subject of or have been repaid with the proceeds of such Asset Sales for such period; and provided, further, that if, during such period, such Person or any of its Subsidiaries shall have made any Material Acquisitions, Consolidated Fixed Charges of such Person and its Subsidiaries for such period shall be adjusted by an amount equal to the Consolidated Fixed Charges attributable to the assets which are the subject of such Material Acquisitions on a pro forma basis as if such Material Acquisition had occurred on the first day of such period.

"Consolidated Fixed Charge Ratio" of any Person means the ratio of (i) the aggregate amount of Consolidated Gross Cash Flow of such Person for the four fiscal quarters for which financial information in respect thereof is available

immediately prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Ratio (the "Transaction Date") to (ii) the aggregate Consolidated Fixed Charges of such Person for the four fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date; provided, however, that for the period beginning on the date of the Existing Indenture and ending on the date one year thereafter, aggregate Consolidated Fixed Charges for purposes of such determination shall be equal to the annualized amount of Consolidated Fixed Charges for such Person for the immediately preceding fiscal quarter completed subsequent to the date hereof.

"Consolidated Interest Expense" of any Person means, for any period for which the determination thereof is to be made, the aggregate amount of interest in respect of Indebtedness of such Person and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and the net cost associated with Interest Swap Obligations but excluding amortization of all fees, charges and other issuance costs associated with Indebtedness incurred in connection with the Tender Offer and the Merger) and all but the principal component of rentals in respect of Capital Lease obligations, paid, accrued or scheduled to be paid or accrued by such Person during such period, all as determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Income" with respect to any Person means, for any period, the aggregate of the net income (or loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with generally accepted accounting principles; provided, however, that (i) any gain (but not loss), together with any related provision for taxes, realized upon the sale or other disposition (including, without limitation, dispositions pursuant to sale and leaseback transactions) of any property or assets which are not sold or otherwise disposed of in the ordinary course of business shall be excluded, (ii) the net income (or loss) of any Person which is not a Subsidiary or is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof, (iii) the net income (or loss) of any Person that is a Subsidiary (other than a Subsidiary of which at least 80% of the capital stock having ordinary voting power for the election of directors or other governing body of such Subsidiary is owned by the referent Person directly or indirectly through one or more Subsidiaries) shall be included only to the extent of the lesser of (a) the amount of dividends or distributions paid to the referent Person or a Subsidiary thereof or (b) the net income (or loss) of such Person, and (iv) the net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded.

"Consolidated Net Worth" with respect to any Person means, as at any date of determination, the sum of the Capital Stock and additional paid-in capital plus retained earnings (or minus accumulated deficit) of such Person and its Subsidiaries on a consolidated basis and with respect to the Company and its Subsidiaries, the amount of LIFO reserve, less amounts attributable to Disqualified Interests. Notwithstanding anything to the contrary contained in the Existing Indenture, Consolidated Net Worth shall be calculated as if (i) in connection with making purchase accounting adjustments to the recorded value of

assets acquired or liabilities assumed in the Tender Offer and the Merger, the entire excess of purchase cost over net assets (on a historical book basis) acquired is allocated to goodwill and accordingly the LIFO reserve will not be eliminated and (ii) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof are included in the purchase cost of Alco for the purpose of calculating the excess of purchase cost over net assets acquired and none of such transaction and other costs are expensed.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Interest" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (i) is

exchangeable or convertible into Indebtedness, (ii) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, on or prior to the maturity date of the Existing Notes, or (iii) is redeemable at the option of the holder thereof, in whole or in part on, or prior to, the maturity date of the Existing Notes.

"Earnings Before Interest and Taxes" or "EBIT" shall mean Consolidated Net Income of a Person, except that there shall be excluded from the calculation thereof (i) all taxes paid or payable by such Person to any government or governmental instrumentality (other than real estate taxes, sales taxes or use taxes), (ii) Consolidated Interest Expense, (iii) amortization of all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof and all goodwill and other intangibles, (iv) all depreciation and amortization of the write-up of assets resulting from the Tender Offer and the Merger and (v) all transaction and other costs relating to the Tender Offer and the Merger and the financing thereof that are expensed.

"Equity Interests" means Capital Stock or other equity participations, including partnership interests, or warrants, options or other rights to acquire Capital Stock or other equity participations (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock or other such equity participations).

"Holdings Subordinated Debentures" means the 16% Junior Subordinated Debentures due 1995 of Holdings, including any such Debentures issued to pay interest on the Junior Subordinated Debentures due 1995 of Holdings, or any Refinancing Debentures; provided, however, that if any such refinancing security is a debt security, it shall (i) be the sole obligation of Holdings, (ii) bear interest at a rate no higher than 100 basis points higher than the interest rate on the Merger Debentures, (iii) mature no earlier than one year after the maturity date of the Existing Notes, (iv) be subordinated to the Notes in the same manner and to the same extent as the Existing Notes are subordinated to Senior Indebtedness under the Existing Indenture, (iv) not contain covenants or

terms (other than optional redemption) materially more restrictive than those of the Holdings Subordinated Debentures and (v) provide that Holdings will have the option for five years from the date hereof to pay interest on the Refinancing Debentures either by cash payments or by the distribution of additional Refinancing Debentures in a principal amount equal to the amount of interest then due which is not paid in cash.

"Indebtedness" with respect to any Person means any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or a trade payable and which is not overdue by more than 60 days and not being contested in good faith, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such Person prepared on a consolidated basis in accordance with generally accepted accounting principles, and also includes, to the extent not otherwise included, any Guaranty of Indebtedness.

"Indebtedness to Net Worth Ratio" means with respect to any Person, at any date of determination, the ratio of (i) the outstanding aggregate amount of Indebtedness of such Person and its Subsidiaries, other than, with respect to the Company and its Subsidiaries, Indebtedness of independent pharmaceutical stores incurred in the ordinary course consistent with past practice in an aggregate principal amount at any time outstanding not in excess of $20 million determined on a consolidated basis, to (ii) the Consolidated Net Worth of such Person.

"Interest Swap Obligations" means the obligations of any Person pursuant to any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Junior Indebtedness" means any Indebtedness of the Company and its Subsidiaries, whether outstanding at the date of the Existing Indenture or incurred thereafter, that is subordinated in right of

payment to the Notes at least to the same extent as the Existing Notes are subordinated to Senior Indebtedness and which does not mature or have any mandatory redemptions or prepayments in respect thereof prior to the final scheduled maturity date of the Existing Notes.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Material Acquisition" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or other business combination or acquisition, or any two or more such transactions if part of a common plan to acquire a business or group of related businesses, if the assets thus acquired in the aggregate would constitute a Significant Subsidiary of the Company (if such businesses or assets were organized in the corporate form) immediately preceding such transaction.

"Merger Debentures" means the Merger Debentures of Holdings as defined in the Merger Agreement, including any such Debentures issued to pay interest on such Debentures of Holdings, or any other security issued by Holdings, the proceeds of which are applied to refinance any or all of the Merger Debentures; provided, however, that if any such refinancing security is a debt security, it shall (i) be the sole obligation of Holdings, (ii) mature no earlier than the maturity date of the Existing Notes, (iii) be subordinated to the Existing Notes in the same manner and to the same extent as the Existing Notes are subordinated to Senior Indebtedness under the Existing Indenture and (iv) not contain covenants or terms materially more restrictive than such originally issued Debentures of Holdings.

"Net Proceeds" with respect to any sale or other disposition of a Business Segment, means (i) cash (freely convertible into U.S. dollars) received by the Company or any Subsidiary from such sale or other disposition, after (a) provision for all income or other taxes measured by or resulting from such sale or other disposition, (b) payment of all brokerage commissions and other fees and expenses related to such sale or other disposition, and (c) deduction of appropriate amounts to be provided by the Company or a Subsidiary, as a reserve, in accordance with generally accepted accounting principles, against any liabilities associated with such Business Segment and retained by the Company or a Subsidiary after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters or against any indemnification obligations associated with the sale or other disposition of such Business Segment and (ii) promissory notes received by the Company or any Subsidiary from such sale or other disposition upon the liquidation or conversion of such notes into cash.

"Net Working Capital" means, with respect to any Person, for any date for which it is to be determined, (i) the sum of such Person's inventory, trade receivables and prepaid expenses, minus (ii) the sum of such Person's accrued expenses payable and trade payables, as each of such items would appear on the consolidated balance sheet of such Person and its Subsidiaries prepared as of the date of determination in accordance with generally accepted accounting principles consistently applied.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, any interest accruing subsequent to an event specified in Sections 6.01(v) and 6.01(vi) of the Existing Indenture), penalties, fees and other monetary liabilities payable under the documentation governing such Indebtedness.

"Redemption Date" means, with respect to any Existing Note to be redeemed, the date fixed for such redemption pursuant to the Existing Indenture.

"Redemption Price" means, when used with respect to any Existing Note to be redeemed, the price fixed for such redemption pursuant to the Indenture as set forth in paragraph 5 of the Existing Note.

"Refinancing Debentures" means any security issued by Holdings the proceeds of which are applied to refinance any or all of the Junior Subordinated Debentures.

"Significant Subsidiary" means any Subsidiary, the assets, operating revenues or EBIT of which constitutes 10% or more of the assets, operating revenues or EBIT of the Company as determined on a consolidated basis in conformity with generally accepted accounting principles.

Certain Covenants

Dividend, Stock Purchase and Debt Repayment Restrictions. The Existing Indenture provides that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution on account of the Company's or such Subsidiary's Capital Stock, partnership interests or other Equity Interests (other than dividends or distributions payable in Equity Interests (other than Disqualified Interests) of the Company or a Subsidiary and other than dividends or distributions payable to the Company or a wholly-owned Subsidiary of the Company), (ii) make any loan, advance, extension of credit or investment in any Affiliate or Subsidiary other than a Subsidiary wholly-owned, either directly or indirectly, by the Company, (iii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company, Holdings, any Subsidiary or other Affiliates of the Company or Holdings held by any Person other than the Company or a wholly-owned Subsidiary or (iv) voluntarily prepay Indebtedness that is pari passu with, or subordinated to, the Existing Notes, other than as specifically permitted by the terms of the Existing Indenture and other than Indebtedness which matures or has any mandatory redemptions or prepayments in respect thereof prior to the final maturity date of the Existing Notes (all such dividends, distributions, purchases, redemptions or other acquisitions, retirements and prepayments being collectively referred to as "Restricted Payments"), if, at the time of such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing;

(b) immediately after such Restricted Payment and after giving effect thereto on a pro forma basis, Consolidated Net Worth of the Company does not exceed $265 million;

(c) the Company's Consolidated Fixed Charge Ratio is less than 2.0 to 1 after giving pro forma effect to such Restricted Payment by

subtracting the amount of such Restricted Payment from the amount of Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio; or

(d) such Restricted Payment, together with the aggregate of all other Restricted Payments made after the satisfaction of the conditions in clauses (b) and (c) above, exceeds the sum of (x) 25% (or 33% after the Company's Consolidated Net Worth is equal to or greater than $350 million) of the amount of the aggregate Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first quarter immediately after the initial satisfaction of the condition in clause (b) above to the end of the Company's most recently ended fiscal quarter at the time of such Restricted Payment plus (y) 100% of the aggregate net cash proceeds and the fair market value of marketable securities received by the Company from the issue or sale of (A) Equity Interests or warrants, options or rights to acquire Equity Interests of the Company subsequent to the date of the Existing Indenture (other than Equity Interests issued or sold to a Subsidiary and other than Disqualified Interests), or (B) any Indebtedness or other security convertible into any such Equity Interest that has been so converted.

Notwithstanding the foregoing, the Existing Indenture shall not prohibit;

A. the payment of any dividend within 60 days after the date of the declaration thereof, if at the date of declaration such payment would comply with the provisions of the Existing Indenture; or

B. the retirement of any of the Company's Equity Interests in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary) of, other Equity Interests (other than Disqualified Interests); or

C. Restricted Payments to Holdings in an amount necessary to meet the cash requirements of Holdings to pay interest on the Merger Debentures and the Holdings Subordinated Debentures in any six month period; provided that (i) no Event of Default or event which with the giving of notice or passage of time would constitute an Event of Default shall occur after giving effect to such Restricted Payments; (ii) the Indebtedness to Net Worth Ratio of the Company is not more than 2.9 to 1 at the time of, and after giving effect to, such Restricted Payment, (iii) the Consolidated Net Worth of the Company is more than $160 million at the time of, and after giving effect to, such Restricted Payment, and (iv) the Consolidated Fixed Charge Ratio of the Company is more than 1.5 to 1 after giving pro forma effect to such Restricted Payment by subtracting the amount of such Restricted Payment from the amount of Consolidated Gross Cash Flow used in calculating the Consolidated Fixed Charge Ratio; or

D. Restricted Payments to Holdings to allow Holdings to pay income

taxes, provided that such Restricted Payment may not exceed the lesser of (i) income taxes actually paid by Holdings and (ii) the amount of income taxes which would be paid by the Company if it were the tax paying entity; or

E. Restricted Payments to Holdings to finance the purchase from terminated management employees of the Company of Capital Stock or Indebtedness of Holdings; provided that the aggregate amount of such Restricted Payments which may be outstanding at any time may not exceed $5 million; and provided further that if such amounts are not repaid by Holdings to the Company within six months of such advance, the amount available for Restricted Payments shall be reduced by the amount of such Restricted Payment until repaid to the Company; or

F. Restricted Payments for (i) actual legal, accounting and other operating expenses (which shall not in any event include any interest payments on Indebtedness or management or similar fees) of Holdings to the extent reasonably necessary to permit Holdings to perform its obligations under the Holdings Subordinated Debentures (other than the payment of interest), the Merger Debentures (other than the payment of interest), the Merger Agreement, subscription and stockholder agreements pursuant to which Company Common Stock is issued or issuable and the transactions and matters contemplated thereby, including the obtaining of officers' and directors' liability insurance and indemnification agreements or (ii) actual fees and expenses incurred in connection with the refinancing by Holdings of the Holdings Subordinated Debentures and the Merger Debentures to the extent permitted by the definitions of Holdings Subordinated Debentures and the Merger Debentures contained in the Existing Indenture; or

G. Restricted Payments to finance loans made to management employees (i) in the ordinary course of business or (ii) in an aggregate principal amount outstanding at any time not to exceed $1,000,000 in connection with the exercise of employee stock options and any costs or expenses (including taxes) incurred in connection therewith; or

H. Restricted Payments made to refinance Indebtedness subordinated in right of payment to the Existing Notes with the proceeds of Indebtedness as permitted by the Existing Indenture; or

I. Restricted Payments required to be made pursuant to Section 262 (i) of the Delaware General Corporation Law (or any successor statute) or payments pursuant to settlement agreements with holders of Shares that have perfected appraisal rights thereunder in an amount not in excess of $31 per share; or

J. Restricted Payments between or among the Company, Alco or any of Alco's Subsidiaries made prior to the Merger for the purpose of reducing Indebtedness of the Company or providing working capital for Alco or any of

Alco's Subsidiaries; or

K. Restricted Payments made prior to the Merger between or among Alco and any of Alco's wholly-owned Subsidiaries; or

L. Restricted Payments made at the time of the Merger to settle in cash options to purchase common stock of Alco; or

M. Restricted Payments to redeem prior to maturity Alco's Convertible Debentures; or

N. Restricted Payments to Holdings to finance the repurchase of common stock of Holdings or the redemption of Holdings Subordinated Debentures, for an aggregate repurchase or redemption price not in excess of $1,500,000 plus accrued interest on the Holdings Subordinated Debentures, if (i) such repurchase and/or redemption occurs substantially simultaneously with (x) the sale of common stock (or the granting of options to purchase common stock) or Holdings Subordinated Debentures for cash to management employees of Alco and its Subsidiaries, or (y) the surrender by management employees of Alco and its Subsidiaries of options to purchase the common stock of Alco, and (ii) the amount paid by Holdings in respect of such repurchase or redemption does not exceed the aggregate of the cash proceeds so received and value of Alco common stock options so surrendered.

Restrictions on Additional Indebtedness and Liens. The Existing Indenture provides that, subject to the other provisions of the Existing Indenture, the Company will not, and will not permit any of its Subsidiaries, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness other than the Existing Notes unless the Company's Consolidated Fixed Charge Ratio for its four full fiscal quarters next preceding the date such additional Indebtedness is created, incurred, assumed or guaranteed would have been at least 1.5 to l, determined on a pro forma basis (including a pro forma application of the net proceeds of such Indebtedness and after giving effect on a pro forma basis to any acquisition of assets as if such acquisition had occurred at the beginning of such period) as if the additional Indebtedness had been created, incurred, assumed or guaranteed at the beginning of the period.

The foregoing limitations notwithstanding, the Company and its Subsidiaries may create, incur, assume or guarantee additional:

(a) Indebtedness of Alco or its Subsidiaries which is existing and remains outstanding immediately after the Merger or the incurrence by the Company of Indebtedness represented by the Existing Notes or Indebtedness pursuant to the Credit Agreement in an aggregate principal amount not to exceed $350 million, less any amounts required to be repaid (and which may not be reborrowed) in accordance with the repayment provisions of the Credit Agreement as in effect at the date of the Existing Indenture, without giving effect to any amendments, alterations or waivers of any provisions thereof.

(b) Indebtedness in connection with or arising out of obligations for

property acquired in the ordinary course of business or other similar financing transactions of up to an aggregate of $10 million at any one time outstanding; provided, however, that the Company and its Subsidiaries may create, incur, assume or guarantee additional Indebtedness in connection with or arising out of Capital Lease obligations or purchase money indebtedness of up to an aggregate of $5 million per fiscal year.

(c) Indebtedness of up to an aggregate principal amount of $35 million, all or a portion of which may be Indebtedness pursuant to the Credit Agreement.

(d) Indebtedness the proceeds of which are used to refinance outstanding Indebtedness (other than borrowings under the Credit Agreement) of the Company or any of its Subsidiaries in a principal amount (or, if such Indebtedness is issued with original issue discount, in a principal amount equal to the original issue price of such Indebtedness plus accretion, if any) not to exceed the principal amount so refinanced; provided that Indebtedness the proceeds of which are used to refinance the Existing Notes or other Indebtedness of the Company which is subordinated in right to payment to the Existing Notes shall only be permitted (1) if the Existing Notes are refinanced in part, such Indebtedness is expressly made pari passu or subordinate in right of payment to the remaining Existing Notes, (2) if the Indebtedness to be refinanced is subordinated in right of payment to the Existing Notes, the Indebtedness incurred in the refinancing is subordinated in right of payment to the Existing Notes at least to the extent that the Indebtedness to be refinanced is subordinated to the Existing Notes, and (3) if the Existing Notes are refinanced in part or if the Indebtedness to be refinanced is subordinated in right of payment to the Existing Notes and matures after the maturity date of the Existing Notes, such Indebtedness determined as of the date of incurrence does not have a final maturity (after assuming the exercise of any and all unconditional (other than as to the giving of notice) options to extend the maturity thereof) prior to the final scheduled maturity date of the Existing Notes; and provided, further, that in no event shall any Subsidiary of the Company, other than Alco, create, incur or assume any Indebtedness the proceeds of which are used to refinance Indebtedness of the Company.

(e) Indebtedness (including commercial paper) that serves to refund or refinance all or any portion of borrowings then outstanding under the Credit Agreement (the "Refinancing Indebtedness"), provided that such Refinancing Indebtedness is in an aggregate principal amount not greater than the greater of (i) the aggregate principal amount of such Indebtedness outstanding at the time of the refunding or refinancing and (ii) 90% of the sum of, as determined on a consolidated basis at the time of the refunding or refinancing, its (a) accounts receivable, (b) inventory valued on a FIFO basis and (c) the fair market value of property, plant and equipment; provided, however, that in no event may the aggregate principal amount of

such Refinancing Indebtedness exceed $350 million.

(f) Indebtedness (a) under Interest Swap Obligations, (b) evidenced by letters of credit issued in the ordinary course of business or reimbursement obligations in respect thereof and (c) for bank overdrafts that are repaid in three Business Days.

(g) Indebtedness in respect of performance bonds provided by the Company and its Subsidiaries in the ordinary course of business, and refinancings thereof.

(h) Indebtedness to the Company or a Subsidiary of the Company or, if such Indebtedness would be permitted as a Restricted Payment, to Holdings.

(i) Indebtedness that constitutes an accrued expense or a trade payable which is overdue by more than 60 days.

(j) Indebtedness of independent pharmaceutical stores in the ordinary course consistent with past practice in an aggregate principal amount at any time outstanding not in excess of $20,000,000.

(k) Junior Indebtedness in an aggregate principal amount not to exceed $20 million at any time; provided, however, that the Consolidated Fixed Charge Ratio, after giving effect to the incurrence of such additional Junior Indebtedness shall be at least 1.2 to 1.

Notwithstanding the foregoing, the Company will not permit any Subsidiary, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become liable with respect to, contingently or otherwise, any Indebtedness except as specifically permitted in clauses (a) through (k) above with respect to Subsidiaries.

Restrictions on Dividends and Other Payment Restrictions Affecting Subsidiaries. The Existing Indenture provides that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or any other equity interest or participation in or measured by, its profits, owned by the Company or any Subsidiary, or pay any Indebtedness owed to the Company or any Subsidiary, (b) make loans or advances to the Company or any Subsidiary, or (c) transfer any of its properties or assets to the Company or any Subsidiary, except for such encumbrances or restrictions existing under or by reasons of (i) applicable law, (ii) the Existing Indenture; (iii) the Credit Agreement or any agreement with respect to Refinancing Indebtedness, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Company or any Subsidiary, (v) customary restrictions contained in agreements with suppliers or customers, (vi) any instrument governing Indebtedness of a

Person acquired by the Company or any Subsidiary at the time of such acquisition, which encumbrance or restriction is not applicable to any Person, other than the Person, so acquired, or (vii) Indebtedness existing on the date of the Existing Indenture.

Restrictions on Sale and Issuance of Subsidiary Stock. The Existing Indenture provides that the Company will not permit any of its Subsidiaries to issue any shares of its Capital Stock, including any rights or warrants or options with respect thereto, to any Person other than the Company or one or more wholly-owned Subsidiaries.

Restrictions on Sale of Business Segments. The Existing Indenture provides that neither the Company nor any Subsidiary may sell, lease, convey or otherwise dispose of any Business Segment unless at least 75% of the consideration therefor received by the Company or such Subsidiary, prior to giving effect to any assumption of indebtedness or liabilities by the purchaser of the Business Segment, are in the form of cash.

Subject to the rights of holders of Senior Indebtedness, the Company may apply, at its election, the Net Proceeds from an Asset Sale to either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding or (ii) to an investment in an asset or business in the same line of business as the Company or to expenditures in the business of the Company provided such investment or expenditure occurs within 360 days from receipt of such Net Proceeds; or (iii) to an offer to repurchase outstanding Existing Notes, at a purchase price of 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase, in the manner set forth in the Existing Indenture. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the foregoing clauses, then, if permitted pursuant to the terms of the Existing Indenture, the Company may make Restricted Payments.

In the event that the Net Proceeds from a single Asset Sale, whether received in a single transaction or series of transactions, exceed $75,000,000, the Company may apply, at its election, the Net Proceeds from an Asset Sale to either: (i) payment (scheduled or otherwise) of any Senior Indebtedness outstanding or (ii) to make an offer to repurchase outstanding Existing Notes, at a purchase price of 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase, in the manner set forth in the Existing Indenture. To the extent that the Company does not and is not required to apply any or all of the Net Proceeds in accordance with one or more of the foregoing clauses, then, if permitted pursuant to the terms of the Existing Indenture, the Company may make Restricted Payments.

Restrictions on Transactions With Shareholders and Affiliates. The Existing Indenture provides, except as otherwise set forth therein, that the Company will not, and will not permit any Subsidiary of the Company to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or other assets or the rendering of any service or the making of any loan or advance or the guarantee of any indebtedness) with any holder of 10% or more of any class of equity securities of Holdings, any Subsidiary of Holdings or any Affiliates of any thereof or of any such holder, on terms that are materially less

favorable to Holdings or such Subsidiary or Affiliate, as the case may be, than those which might be obtained at the time from persons

who are not such a holder or Affiliate; provided that the foregoing restrictions shall not apply to any transaction between the Company and any of its wholly-owned Subsidiaries; provided, further, that the foregoing restrictions shall not apply to (i) stock and debt purchase arrangements of Holdings and Alco with the employees of Alco and its Subsidiaries, (ii) any arrangement for investment banking or similar services with the Underwriter pursuant to which the Underwriter receives reasonable compensation therefor, and (iii) provided, further, that the foregoing restrictions shall not apply to any arrangements entered into on or prior to the date of the Existing Indenture between the Company and/or Holdings and/or any of their respective Subsidiaries or Affiliates and CVCL and/or any of its Subsidiaries or Affiliates, for services rendered on or prior to the date of the Existing Indenture by CVCL.

Restrictions on Material Acquisitions. The Existing Indenture provides that neither the Company nor any Subsidiary may participate as the acquiring party in a Material Acquisition unless the following conditions are met: (i) no Default or Event of Default exists as a result of and after giving effect to the Material Acquisition; (ii) after giving effect to the Material Acquisition on a pro forma basis and immediately thereafter, the Company shall (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Existing Indenture or (b) have a Consolidated Fixed Charge Ratio of at least 1.3 to 1; provided that, in the case of (b) hereof, if such Consolidated Fixed Charge Ratio is 1.5 to 1 or less, then the Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least equal to the Consolidated Fixed Charge Ratio prior thereto; and (iii) subject to the Existing Indenture, any business acquired as part of a Material Acquisition shall be consolidated with or merged into or made a Subsidiary of the Company, and shall be in the same or related line of business as the Company and its Subsidiaries.

Maintenance of Consolidated Net Worth. If the Company's Consolidated Net Worth, at the end of each of any two consecutive fiscal quarters (the last day of the second such fiscal quarter being referred to as a "Deficiency Date") is less than $80 million (the "Minimum Equity"), the Existing Indenture provides that the Company will be required to, no later than 70 days after a Deficiency Date (or 130 days if a Deficiency Date is also the end of the Company's fiscal year), offer to purchase (the "Offer") an amount of Existing Notes equal to 20% of the principal amount of Existing Notes originally issued under the Existing Indenture (or such lesser amount as may be outstanding at the time the Offer is made) (the "Offer Amount"), at a purchase price equal to 100% of the principal amount (excluding any premium), plus accrued interest to the date of purchase. The Offer shall remain open for a period of 20 Business Days, unless a longer period is required by law. Within five Business Days after the termination of such 20 Business Day period, the Company shall purchase the Offer Amount of Existing Notes tendered or, if less than the Offer Amount has been tendered, all Existing Notes tendered in response to the Offer, and shall mail or deliver payment therefor within five Business Days after the date of purchase. The

Company's failure to meet the Minimum Equity at the end of any fiscal quarter shall only be counted towards the making of one Offer. Subject to certain limitations set forth in the Existing Indenture, the principal amount of Existing Notes to be purchased pursuant to an Offer may be reduced by the principal amount of Existing Notes previously delivered to the Existing Trustee for cancellation or otherwise purchased or redeemed after the making of the Offer (other than pursuant to a mandatory redemption or an Offer). In making an Offer, the Company will comply with the requirements of Rule 14e-1 of the Securities Exchange Act of 1934 and all other applicable laws and regulations.

Restrictions on Issuance of Additional Senior Subordinated Indebtedness. The Existing Indenture provides that the Company may not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Indebtedness and senior in any respect in right of payment to the Existing Notes other than Indebtedness of the Company under the Credit Agreement guaranteed by CVCL or any of its affiliates in an aggregate principal amount of not greater than $20 million at any one time outstanding; provided, however, that additional borrowings are otherwise unavailable to the Company (i) as advances in aggregate amounts exceeding the borrowing base provisions of the Credit Agreement or (ii) as a result of any default which has occurred and is continuing with respect to the financial covenants of the Credit Agreement at the time of incurrence by the Company of such Indebtedness.

Change of Control. (a) The Existing Indenture provides that if, at any time, (i) any issuance of shares of capital stock of Holdings or any sale, transfer or other disposition of any shares of capital stock of Holdings or the Holdings Subordinated Debentures by any Person to any Person (other than an affiliate of CVCL or an officer, director or employee of CVCL or Alco) results in CVCL, its affiliates and officers, directors and employees of CVCL and Alco holding less than 50% of either (a) the total common equity interest in Holdings or the total voting power of all the outstanding shares of capital stock of Holdings entitled to vote in the election of directors of Holdings or (b) the aggregate principal amount outstanding of Holdings Subordinated Debentures or Refinancing Debentures, as the case may be, or (ii) Holdings owns less than 80% of the outstanding shares of voting stock of the Company (each, a "Change of Control") each holder of Existing Notes shall have the right to require that the Company repurchase such holder's Existing Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, in accordance with the terms contemplated in paragraph (b) below; provided, however, that a Change of Control pursuant to clause (i) of this sentence will be deemed not to have occurred if, at the time of any such issuance, sale, transfer or disposition, the Consolidated Fixed Charge Ratio is greater than 1.5 to 1. The Company has covenanted in the Existing Indenture that, prior to the mailing of the notice to holders provided for in paragraph (b) below, it will repay in full all Indebtedness under the Credit Agreement or offer to repay in full all such Indebtedness and to repay the Indebtedness of each lender who has accepted such offer. The Company must

first comply with the covenant in the preceding sentence before the Company shall be required to repurchase Existing Notes pursuant to this provision.

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each holder of Existing Notes stating:

(1) that a Change of Control has occurred and that such holder has the right to require the Company to repurchase such holder's Existing Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase;

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 40 days from the date such notice is mailed); and

(4) the instructions a holder must follow in order to have its Existing Notes repurchased.

Merger, Consolidation, or Sale of Assets. The Existing Indenture provides that the Company may not consolidate or merge with or into or sell, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person unless: (i) the successor entity or the Person to which such sale, assignment, transfer or lease or conveyance shall have been made is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the successor corporation or the corporation to which such sale or conveyance shall have been made expressly assumes by supplemental indenture all the obligations of the Company under the Existing Notes and the Existing Indenture; (iii) immediately before and immediately after such transaction, and giving effect thereto, no Default or Event of Default exists; and (iv) the successor corporation or the corporation to which such sale or conveyance shall have been made (a) shall have Consolidated Net Worth (immediately after the transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (b) shall be permitted immediately after the transaction by the terms of the Existing Indenture to incur at least $1.00 of additional Indebtedness or have a Consolidated Fixed Charge Ratio of at least 1.1 to 1; provided that, in the case of (b) hereof, if such Consolidated Fixed Charge Ratio is 1.5 to 1 or less, then the Consolidated Fixed Charge Ratio after giving effect to the transaction shall be at least 0.1 to 1 greater than the Consolidated Fixed Charge Ratio prior thereto.

Events of Default and Remedies

The Existing Indenture provides that an Event of Default is: default for 30 days in payment of interest on the Existing Notes; default in payment when due

of principal; failure by the Company for 30 days after notice to comply with any of its other agreements or covenants in, or provisions of the Existing Indenture or the Existing Notes (including, without limitation, the Company's covenant to repay or offer to repay Indebtedness under the Credit Agreement under the circumstances described under "Change of Control" above); default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company in an amount over $10 million in the aggregate which default results in the acceleration of such Indebtedness in excess of $10 million; failure by the Company to pay certain final judgments aggregating in excess of $10 million which judgments remain undischarged, unstayed or unbonded for 60 days after their entry by a competent tribunal; and certain events of bankruptcy or insolvency.

If any Event of Default occurs and is continuing, the Existing Trustee or the holders of at least 25% in principal amount of the then outstanding Existing Notes by written notice to the Company may declare all the Existing Notes to be due and payable immediately; except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Existing Notes become due and payable without further action or notice. Holders of the Existing Notes may not enforce the Existing Indenture or the Existing Notes except as provided in the Existing Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Existing Notes may direct the Existing Trustee in its exercise of any trust or power. The Existing Trustee may withhold from holders of the Existing Notes notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

The holders of a majority in aggregate principal amount of the Existing Notes then outstanding may, on behalf of the holders of all of the Existing Notes, waive any past Default or Event of Default under the Existing Indenture and its consequences, except a Default in the payment of interest on, or the principal of, the Existing Notes.

The Company is required to deliver to the Existing Trustee annually a statement regarding compliance with the Existing Indenture, and, upon an officer of the Company becoming aware of any Default or Event of Default, a statement specifying such Default or Event of Default.

Satisfaction and Discharge of the Existing Indenture

The Existing Indenture shall cease to be of further effect when all outstanding Existing Notes have been delivered to the Existing Trustee for cancellation, and the Company has paid all sums payable under the Existing Indenture. In addition, the Company may terminate the Existing Indenture by deposit with the Existing Trustee of money or U.S. Government Obligations sufficient to pay at maturity or redemption the outstanding principal amount of, premium, if any, on and interest on the Existing Notes. In connection with any such deposit, the Company must deliver to the Existing Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all requirements under the Existing Indenture for such discharge have been met and an opinion of a nationally recognized accounting firm that such money or U.S. Government

Obligations are sufficient to pay the Existing Notes in full on the date contemplated. Upon meeting such requirements, the Company will be released from its obligations under the Existing Indenture except as they relate to the continued existence of the Existing Notes, payment of the Existing Notes and compensation and indemnification of the Existing Trustee.

Transfer and Exchange

The Existing Indenture provides that a holder may transfer or exchange Existing Notes in accordance with the Existing Indenture. The Registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Existing Indenture. The Registrar is not required to transfer or exchange any Existing

Note selected for redemption. Also, the Registrar is not required to transfer or exchange any Existing Note for a period of 15 days before a selection of Existing Notes to be redeemed or between a record date and the next succeeding interest payment date.

The registered holder of an Existing Note will be treated as its owner for all purposes.

Amendment, Supplement and Waiver

The Existing Indenture contains provisions permitting the Company and the Existing Note Trustee, with the consent of the holders of not less than 66-2/3% in principal amount of the outstanding Existing Notes, to enter into any supplemental indenture for the purpose of adding, changing or eliminating any of the provisions of the Existing Indenture, or of modifying in any manner the rights of the holders of the Existing Notes under the Existing Indenture, provided that no such supplemental indenture may without the consent of the holder of each outstanding Existing Note affected thereby (i) reduce the amount of Existing Notes whose holders must consent to an amendment or waiver; (ii) reduce the rate of or change the time for payment of interest, including default interest, on any Existing Notes; (iii) reduce the principal of or change the fixed maturity of any Existing Notes or alter the redemption or repurchase provisions with respect thereto; (iv) make any Existing Notes payable in money other than that stated in the Existing Notes; (v) make any change in provisions relating to waivers of defaults, the ability of holders to enforce their rights under the Existing Indenture or in the matters discussed in these clauses (i) through (vii); (vi) make any change in the amendment provisions that adversely affects the rights of any holder of the Existing Notes; or (vii) waive a default in the payment of principal of or interest on, or redemption payment with respect to, any Existing Note.

Concerning the Existing Trustee

The Existing Trustee for the Existing Notes is Mellon Bank, N.A. The Existing Indenture contains certain limitations on the rights of the Existing Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Existing Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined) it must eliminate such conflict or resign.

The holders of a majority in principal amount of the then outstanding Existing Notes have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Existing Trustee, subject to certain exceptions. The Existing Indenture provides that in case a Default shall occur (which shall not be cured), the Existing Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Existing Trustee will be under no obligation to exercise any of its rights or powers under the Existing Indenture at the request of any of the holders of the Existing Notes, unless they shall have offered to the Existing Trustee security and indemnity satisfactory to it.

Facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal, and any other required documents should be sent by each holder of Existing Notes to the Depositary as follows:

The Depositary:

Bankers Trust Company

BY HAND/OVERNIGHT COURIER:
Bankers Trust Company
Corporate Trust & Agency Group
Receipt & Delivery Window
123 Washington St., 1st Floor
New York, New York 10006

BY MAIL:
Bankers Trust Company
Corporate Trust & Agency Group
Reorganization Dept.
P.O. Box 1458
Church Street Station
New York, New York 10008-1458

Facsimile Transmissions

(212) 250-3290
(For Eligible Institutions Only)

Confirm by Telephone:
(212) 250-6461

Telephone Inquiries:
1-800-829-5628

THE INFORMATION AGENT

Kissel-Blake Inc.
25 Broadway
New York, NY 10004
Telephone: (800) 554-7733

Any questions or requests for assistance or additional copies of the Offering Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

ALCO HEALTH SERVICES CORPORATION

March 1, 1994

Offer to Exchange

$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999, Series A
and $2.50 Cash for Each

$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999

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THE EXCHANGE OFFER
WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON WEDNESDAY, MARCH 30, 1994,
UNLESS OTHERWISE EXTENDED

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TO SECURITIES DEALERS, COMMERCIAL BANKS,
TRUST COMPANIES AND OTHER NOMINEES:

Alco Health Services Corporation (the "Company") is offering upon the terms and subject to the conditions set forth in the enclosed Offering Circular dated March 1, 1994 (the "Offering Circular") and the enclosed Letter of Transmittal (the "Letter of Transmittal" and the instructions thereto, together with the Offering Circular, the "Exchange Offer"), to exchange its outstanding 14-1/2% Senior Subordinated Notes Due 1999 (the "Existing Notes") in for its 14-1/2% Senior Subordinated Notes Due 1999, Series A (the "New Notes"), on the following basis:

$1,000 PRINCIPAL AMOUNT OF NEW NOTES
AND $2.50 CASH FOR EACH
$1,000 PRINCIPAL AMOUNT OF EXISTING NOTES

We are asking you to contact your clients for whom you hold Existing Notes registered in your name or in the name of your nominee.

The Company will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Existing Notes pursuant to the Exchange Offer. You will be reimbursed for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay all transfer taxes, if any, applicable to the transfer and exchange of Existing Notes to it or its order, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Enclosed is a copy of each of the following documents:

1. The Offering Circular.

2. Letter of Transmittal for your use and for the information of your clients.
3. A form of letter which may be sent to your clients for whose account you hold Existing Notes registered in your name or the name of your nominee with space provided for obtaining the client's instructions with regard to the Exchange Offer.
4. Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Existing Notes are not immediately available or time will not permit such holder's certificates or other required documents to reach the Depositary prior to the Expiration Date (as defined below) of the Exchange Offer.
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
6. A return envelope addressed to Bankers Trust Company, the Depositary.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., New York City time, on Wednesday, March 30, 1994, or if extended by the Company, the latest date and time to which extended (the "Expiration Date"). Existing Notes tendered pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in the Offering Circular, at any time before they are accepted for exchange by the Company.

To participate in the Exchange Offer, certificates for Existing Notes (or evidence of a book-entry delivery into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company) and a duly executed and properly completed Letter of Transmittal or facsimile thereof together with any other required documents must be delivered to the Depositary as indicated in the Exchange Offer.

If holders of Existing Notes wish to tender, but it is impracticable for them to forward their Existing Notes prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures described in the Offering Circular under "TENDERING PROCEDURES -- Notice of Guaranteed Delivery."

Additional copies of the enclosed material may be obtained from the Information Agent, Kissel-Blake Inc., at 25 Broadway, New York, New York 10004, (800) 554-7733.

Additional information about the Exchange Offer may be obtained from the Information Agent at the address and telephone number indicated above.

Very truly yours,

ALCO HEALTH SERVICES CORPORATION

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFERING CIRCULAR OR THE LETTER OF TRANSMITTAL.

ALCO HEALTH SERVICES CORPORATION

Offer to Exchange

$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999, Series A
and $2.50 Cash for Each
$1,000 Principal Amount of 14-1/2% Senior Subordinated Notes Due 1999

- ---

THE EXCHANGE OFFER
WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON WEDNESDAY, MARCH 30, 1994,
UNLESS OTHERWISE EXTENDED

- ---

To Our Clients:

Enclosed for your consideration is an Offering Circular dated March 1, 1994 (the "Offering Circular") and a form of Letter of Transmittal (the "Letter of Transmittal" and the instructions thereto, together with the Offering Circular, the "Exchange Offer") relating to the offer by Alco Health Services Corporation (the "Company") to exchange its outstanding 14-1/2% Senior Subordinated Notes Due 1999 (the "Existing Notes") for its 14-1/2% Senior Subordinated Notes Due 1999, Series A (the "New Notes") on the following basis:

$1,000 PRINCIPAL AMOUNT OF NEW NOTES
AND $2.50 CASH FOR EACH
$1,000 PRINCIPAL AMOUNT OF EXISTING NOTES

The material is being forwarded to you as the beneficial owner of Existing Notes carried by us in your account but not registered in your name. A tender of such Existing Notes may only be made by us as the registered holder and pursuant to your instructions. Therefore, the Company urges holders of Existing Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee to contact such registered holder promptly if they wish to accept the Exchange Offer.

Accordingly, we request instructions as to whether you wish us to tender any or all such Existing Notes held by us for your account pursuant to the terms and conditions set forth in the enclosed Offering Circular and the related Letter of Transmittal.

Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Existing Notes in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on Wednesday, March 30, 1994, or if extended by the Company, the latest date and time to which extended (the "Expiration Date"). Existing Notes tendered pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in the Offering Circular, at any time before they are

accepted for exchange by the Company.

Your attention is directed to the following:

1. The Exchange Offer is for all Existing Notes.

2. The Company's obligation to accept Existing Notes tendered in the Exchange Offer is subject to certain customary conditions.

3. Any transfer taxes incident to the transfer of Existing Notes from the holder of Existing Notes to the Company will be paid by the Company, except as provided in Instruction 6 of the Letter of Transmittal.

If you wish to have us tender any or all of your Existing Notes, please so instruct us by completing, executing and returning to us the instruction form which appears on the reverse side of this letter. The Letter of Transmittal is furnished to you for information only and may not be used by you to tender Existing Notes.

INSTRUCTIONS

The Undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer of Alco Health Services Corporation relating to the Existing Notes.

This will instruct you to tender the principal amount of Existing Notes indicated below held by you for the account of the undersigned, pursuant to the terms of and conditions set forth in the Offering Circular and the Letter of Transmittal.

Box 1 [ ] Please tender my Existing Notes held by you for my account. I have identified on a signed schedule attached hereto the principal amount of the Existing Notes that I do not wish tendered.

Box 2 [ ] Please do not tender my Existing Notes held by you for my account.

Dated: _____, 1994

Signature(s)

Please print name(s) here

UNLESS A SPECIFIC CONTRARY INSTRUCTION IS GIVEN IN THE SPACE PROVIDED, YOUR

SIGNATURE(S) HEREON SHALL CONSTITUTE AN INSTRUCTION TO US TO TENDER ALL OF YOUR EXISTING NOTES.

LETTER OF TRANSMITTAL
ALCO HEALTH SERVICES CORPORATION
For 14-1/2% Senior Subordinated Notes Due 1999

THE EXCHANGE OFFER
WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON WEDNESDAY, MARCH 30, 1994,
UNLESS OTHERWISE EXTENDED

To: Bankers Trust Company, Depositary

By Hand/Overnight Courier:
Bankers Trust Company
Corporate Trust & Agency Group
Receipt & Delivery Window
123 Washington St., 1st Floor
New York, New York 10006

By Mail:
Bankers Trust Company
Corporate Trust & Agency Group
Reorganization Dept.
P.O. Box 1458
Church Street Station
New York, New York 10008-1458

By Facsimile Transmission:
(212) 250-3290
Telephone:
1-800-829-5628

Delivery of this Instrument to an address, or transmission via facsimile, other than as set forth above does not constitute a valid delivery. The instructions contained herein should be read carefully before this Letter of Transmittal is completed.

The undersigned acknowledges receipt of the Offering Circular dated March 1, 1994 (the "Offering Circular") of Alco Health Services Corporation (the "Company"), and this Letter of Transmittal and instructions hereto (the "Letter"), which together constitute the Company's offer (the "Exchange Offer") to exchange $1,000 principal amount of its 14-1/2% Senior Subordinated Notes Due 1999, Series A (the "New Notes") and $2.50 cash (the "Cash Consideration") for each $1,000 principal amount of its outstanding 14-1/2% Senior Subordinated Notes Due 1999 (the "Existing Notes").

Capitalized terms used but not defined herein have the meaning given them in the Offering Circular.

The undersigned has completed, executed and delivered this Letter to indicate the action he or she desires to take with respect to the Exchange Offer.

PLEASE READ THIS ENTIRE LETTER CAREFULLY BEFORE CHECKING ANY BOX BELOW

TO BE COMPLETED BY ALL TENDERING HOLDERS OF EXISTING NOTES REGARDLESS OF WHETHER SUCH NOTES ARE BEING PHYSICALLY DELIVERED HEREWITH

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF EXISTING NOTES TENDERED" BELOW AND SIGNING THIS LETTER WILL BE DEEMED TO HAVE TENDERED THE EXISTING NOTES AS SET FORTH IN SUCH BOX BELOW

List below the Existing Notes to which this Letter relates. If the space provided below is inadequate, list the certificate numbers and principal amounts on a separately executed schedule and affix the schedule to this Letter. The minimum permitted tender is $1,000 principal amount of Existing Notes; all tenders must be in integral multiples of $1,000.

DESCRIPTION OF EXISTING NOTES TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in if blank)	Certificate Number(s)*	Aggregate Principal Amount Represented by Certificate(s)*	Principal Amount Tendered** (must be an integral multiple of $1,000)
	Total		

* Need not be completed by holders tendering by book-entry transfer (see below).
** Unless otherwise indicated in the last column, and subject to the terms and conditions of the Offering

Circular, you will be deemed to have tendered the entire aggregate principal amount represented by the Existing Notes indicated in the column labeled "Aggregate Principal Amount Represented by Certificate(s)." See Instruction 2.

</TABLE>

This Letter must be used whether certificates for Existing Notes are to be forwarded herewith, whether tenders are to be made by book-entry transfer to the account maintained by the Depositary at the Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC") or the Philadelphia Depository Trust Company ("PHILADEP" and, together with DTC and MSTC, the "Book-Entry Transfer Facilities") or whether guaranteed delivery procedures are to be used, according to the procedures set forth in the Offering Circular under the caption "TENDERING PROCEDURES -- Notice of Guaranteed Delivery." Your bank or broker can assist you in completing this form. The Instructions included with this Letter must be followed. Questions and requests for assistance or for additional copies of the Offering Circular, this Letter and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Company. See Instruction 9.

Holders of Existing Notes ("Holders") who wish to tender and whose Existing Notes are not immediately available or where time will not permit such holders' Existing Notes and all other required documents (other than this Letter) to reach the Depositary on or before the Expiration Date must tender Existing Notes according to the guaranteed delivery procedures set forth in the Offering Circular under the caption "TENDERING PROCEDURES -- How to Tender" and "TENDERING PROCEDURES -- Notice of Guaranteed Delivery." See Instruction 1 below.

[_] CHECK HERE IF TENDERED EXISTING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution_____
Account Number_____
[_] DTC [_] MSTC [_] PHILADEP

Transaction Code Number_____
[_] CHECK HERE IF TENDERED EXISTING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:

Name of Owner(s):_____
Name of Institution that guaranteed delivery:_____
Account Number (if delivered by book-entry transfer):_____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms of and subject to the conditions to the Exchange Offer, the undersigned hereby tenders to the Company the principal amount of Existing Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the principal amount of Existing Notes tendered with this Letter, the undersigned exchanges, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to the Existing Notes tendered hereby. The undersigned constitutes and appoints the Depositary its agent and attorney-in-fact (with full knowledge that the Depositary also acts as the agent of the Company) with respect to the tendered Existing Notes with full power of substitution to (a) deliver such Existing Notes or transfer ownership of such Existing Notes on the account books maintained by DTC, MSTC or PHILADEP and deliver, in either such case, all accompanying evidences of transfer and authenticity to or upon the order of the Company upon receipt by the Depositary, as the undersigned's agent, of the New Notes and Existing Notes in a principal amount not exchanged to which the undersigned is entitled upon the acceptance by the Company of the Existing Notes tendered under the Exchange Offer; and (b) receive all benefits and otherwise exercise all rights and beneficial ownership of the Existing Notes, all in accordance with the terms of and conditions to the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign and transfer the Existing Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right. The undersigned will upon request, execute and deliver any additional documents deemed by the Depositary or the Company to be necessary or desirable to complete the exchange, assignment and transfer of the Existing Notes tendered hereby.

The undersigned understands that, upon acceptance by the Company of the Existing Notes tendered under the Exchange Offer, the undersigned will be deemed to have accepted the New Notes and the Cash Consideration.

The undersigned understands that the Company may accept the undersigned's tender at any time on or after the Expiration Date by delivering oral or written notice of acceptance to the Depositary. Tenders of Existing Notes may be

withdrawn at any time before they are accepted for exchange by the Company.

The undersigned recognizes that, under certain circumstances and subject to certain conditions to the Exchange Offer (which the Company may waive) set forth in the Offering Circular, the Company may not be required to accept for exchange any of the Existing Notes tendered or any Existing Notes tendered after the Expiration Date. The Existing Notes not accepted for exchange will be returned to the undersigned at the address set forth above unless otherwise indicated under the "Special Delivery Instructions" below.

All authority conferred or agreed to be conferred by this Letter shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Letter shall be binding upon his or her heirs, personal representatives, successors and assigns. Tenders may be withdrawn only in accordance with the procedures set forth in the Instructions contained in this Letter and in the Offering Circular.

The undersigned understands that the delivery and surrender of the Existing Notes is not effective, and the risk of loss of the Existing Notes does not pass to the Depositary, until receipt by the Depositary of this Letter, or a

facsimile hereof, duly completed and signed, together with all accompanying evidences of authority in form satisfactory to the Company and any other required documents. All questions as to validity, form and eligibility of any surrender of Existing Notes hereunder will be determined by the Company and such determination shall be final and binding on Holders.

Unless otherwise indicated under "Special Issuance Instructions" or "Special Delivery Instructions" below, the Depositary will deliver New Notes (and, if applicable, a certificate for any principal amount of Existing Notes not exchanged) and the Cash Consideration in the name of and to the undersigned at the address set forth below his or her signature. The undersigned recognizes that the Company has no obligation pursuant to the Special Issuance Instructions to transfer any Existing Notes from the name of the registered holder thereof if the Company does not accept for exchange any of the principal amount of such Existing Notes.

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PLEASE SIGN HERE (TO BE COMPLETED BY ALL EXCHANGING HOLDERS OF EXISTING NOTES REGARDLESS OF WHETHER EXISTING NOTES ARE BEING PHYSICALLY DELIVERED HEREWITH)

Must be signed by the registered holder(s) of Existing Notes as their name(s) appear(s) on certificate(s) for Existing Notes or on a security position listing, or by a person(s) authorized to become registered holder(s) by endorsements and documents transmitted with this Letter. If signature is by trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. See Instruction 3 below.

X_____

_____

X_____

_____

Signature(s) of Owner(s) or Authorized Signatory

Date:_____, 1994

Name(s):

_____

(Please Print)

Capacity: _____

Address:

_____

(Including Zip Code)

Area Code and Telephone Number:

_____

Taxpayer Identification or Social Security Number: _____

==========

Please complete substitute Form W-9 herein

If a person has been indicated under "Special Issuance Instructions" herein, such person must complete a substitute Form W-9

SIGNATURE GUARANTEE

Certain Signature(s) Must Be Guaranteed by an

_____
Eligible Institution: (Authorized Signature)
(See Instruction 3)

_____
(Title)

_____
(Name)

_____
(Name of Firm)

_____
(Address of Firm)

Date:_____, 1994

- ---

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Existing Notes in a principal amount not exchanged, or New Notes (and Cash Consideration), are to be issued in the name of someone other than the person or persons whose signature(s) appears on the face of this Letter or issued to a record address different from that shown in the box entitled "Description of Existing Notes Tendered" on the face of this Letter.

Name:_____
(Please Print)

_____
(Please Print)
Address:_____

_____
Zip Code

_____
Employer Identification
or Social Security No.

- ---

- ---

SPECIAL DELIVERY INSTRUCTIONS
(See Instruction 4)

To be completed ONLY if certificates for Existing Notes in a principal amount not exchanged, or New Notes and Cash Consideration, are to be sent to someone other than the person or persons whose signature(s) appears on the face of this Letter or to an address other than that shown in the box entitled "Description of Existing Notes Tendered" on the face of this Letter.

Name:_____
(Please Print)

_____
(Please Print)
Address:_____

_____
Zip Code

_____
Employer Identification
or Social Security No.

- ---

INSTRUCTIONS
FORMING PART OF THE TERMS OF AND CONDITIONS TO THE EXCHANGE OFFER

1. Delivery of this Letter and Certificates or Book-Entry Confirmations. Certificates for Existing Notes, or any book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility of Existing Notes tendered electronically, as well as a properly completed and duly executed copy or facsimile of this Letter, and any other documents required by this Letter, must be received by the Depositary at its address set forth herein or (in the case of tenders by book-entry transfer) confirmed to the Depositary on or prior

to the Expiration Date (as defined in the Offering Circular). The method of delivery of this Letter, certificates for Existing Notes, and any other required documents is at the election and risk of the Holders, but except as otherwise provided below, the delivery will be deemed made when actually received or confirmed by the Depositary. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is suggested.

Holders whose Existing Notes are not immediately available or who cannot deliver their Existing Notes and all other required documents to the Depositary on or prior to the Expiration Date, as extended, may tender their Existing Notes pursuant to the guaranteed delivery procedures set forth in the Offering Circular. Pursuant to such procedures: (i) tender must be made through a firm that is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office in the United States (an "Eligible Institution");

(ii) prior to the Expiration Date, the Depositary must have received from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by telegram, facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder of the Existing Notes and the principal amount of the Existing Notes tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange, Inc. ("NYSE")
----

trading days after the Expiration Date, this Letter together with the certificates representing the Existing Notes and any other documents required by this Letter will be deposited with the Depositary (or, with respect to the delivery of certificates, confirmation of book-entry transfer of such Existing Notes into the Depositary's account with a Book-Entry Transfer Facility); and (iii) the certificates for all tendered Existing Notes (or a confirmation of a book-entry transfer of tendered Existing Notes into the Depositary's account at a Book-Entry Transfer Facility as described above), this Letter, as well as all other documents required by this Letter, must be received by the Depositary within five NYSE trading days after the Expiration Date, all as provided in the Offering Circular under the caption: "TENDERING PROCEDURES -- Notice of Guaranteed Delivery."

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Existing Notes will be determined by the Company whose determinations will be final and binding. The Company reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of which, in the opinion of the Company's counsel, could be unlawful. The Company also reserves the right to waive any irregularity or condition to tender as to particular Existing Notes. All tendering Holders, by execution of this Letter (or facsimile thereof), waive any right to receive notice of the acceptance of their Existing Notes for exchange.

None of the Company, the Depositary, or any other person shall be obligated to give notice of any defect or irregularity in any tender, nor shall any of them incur any liability for failure to give any such notice.

2. Partial Tenders; Withdrawals. If less than the entire principal amount of any Existing Notes evidenced by a submitted certificate is tendered, the tendering Holder must fill in the principal amount tendered in the fourth column of the box entitled "Description of Existing Notes Tendered" above. The entire principal amount of all Existing Notes delivered to the Depositary will be deemed to have been tendered unless otherwise indicated. Partial tenders are not applicable to holders of Existing Notes who tender by book-entry transfer. If the entire principal amount of all Existing Notes is not tendered, certificates for the principal amount of Existing Notes not tendered and for the New Notes and Cash Consideration will be sent to the Holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Existing Notes are accepted for exchange.

A tender pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in this Letter and in the Offering Circular, at any time before they are accepted for exchange by the Company. To be effective with respect to the tender of Existing Notes, a notice of withdrawal must (i) be received by the Depositary before the Expiration Date, (ii) specify the name of the person who tendered the Existing Notes, (iii) contain the certificate numbers shown on the particular certificates evidencing the Existing Notes to be withdrawn and the name of the registered holder thereof (if certificates have been delivered or otherwise identified to the Depositary) or the name and number of the account at the Book-Entry Transfer Facility to be credited with withdrawn Existing Notes (if Existing Notes have been tendered pursuant to the procedure for book-entry transfer) and the aggregate principal amount represented by such Existing Notes and (iv) be signed by the Holder in the same manner as the original signature on this Letter (including the required signature guarantee(s)) or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of the Existing Notes.

3. Signatures on this Letter, Bond Powers and Endorsements; Guarantee of Signatures. If this Letter is signed by the holder(s) of the Existing Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change

whatsoever.

If any of the Existing Notes tendered hereby are owned by two or more joint owners, all such owners must sign this Letter. If any tendered Existing Notes are held in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are names in which certificates are held.

If this Letter is signed by the registered Holder, and the certificates for all New Notes are to be issued (or if any untendered or withdrawn principal amount of Existing Notes are to be reissued or returned) to the registered Holder, then the registered Holder need not endorse any certificates for tendered Existing Notes, nor provide a separate bond power. In any other case, the registered Holder must either properly endorse the certificates tendered or transmit a separate properly completed bond power with this Letter, with the signature on the endorsement or bond power guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and proper evidence satisfactory to the Company of their authority so to act must be submitted, unless waived by the Company.

Endorsements on certificates for Existing Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by an Eligible Institution.

All signatures on this Letter must be guaranteed by an Eligible Institution unless the Existing Notes tendered pursuant hereto are tendered: (i) by the registered holder of the Existing Notes (which term, for purposes of this Letter, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the Existing Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. Special Issuance and Special Delivery Instructions. Tendering Holders should indicate, in the applicable box or boxes, the name and address to which New Notes and Cash Consideration, or substitute Existing Notes for principal amounts not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter.

5. Taxpayer Identification Number. Federal income tax law requires that a Holder whose tendered Existing Notes are accepted for exchange must provide his or her correct taxpayer identification number ("TIN"), which, in the case of a Holder who is an individual, is his or her social security number. If the Holder does not provide the correct TIN, the Holder may be subject to a penalty imposed by the Internal Revenue Service ("IRS") and Cash Consideration and interest paid may be subject to 31% backup withholding. If backup withholding results in an overpayment of taxes, a refund may be obtained from the IRS. Exempt Holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. In order for a foreign individual to qualify as an exempt person, that individual must submit a statement, signed under penalty of perjury, attesting to that individual's exempt status. A form W-8 for such a statement can be obtained from the Depositary.

To prevent backup withholding, each tendering Holder subject to backup withholding must provide his or her correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the TIN provided is correct (or that the Holder is awaiting a TIN) and that (a) the Holder has not been notified by the IRS that he or she is subject to backup withholding as a result of failure to report all interest or dividends or (b) the IRS has notified the Holder that he or she is no longer subject to backup withholding. To prevent possible erroneous backup withholding, exempt Holders (other than certain foreign individuals) should certify in accordance with the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 that such Holder is exempt from backup withholding. If a Holder has been notified by the IRS that he or she is subject to backup withholding because of underreporting interest or dividends on his or her tax return, he or she should nevertheless complete and sign the Substitute Form W-9 but should (unless after being so notified by the IRS he or she received a notification from the IRS that he or she is no longer subject to backup withholding) cross out item (2) of the certification on the form. In such case, backup withholding will not apply to the delivery to the Holder of the New Notes and Cash Consideration acquired pursuant to the Exchange Offer but may apply to interest subsequently paid on the New Notes issued to such Holder. If the Existing Notes are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for information on which TIN to report.

See enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

6. Transfer Taxes. The Company shall pay all transfer taxes, if any,

applicable to the transfer and exchange of Existing Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes or certificates for Existing Notes for principal amounts not exchanged are to be delivered to, or are to be issued in the name of, any person other than the registered Holder, or if tendered certificates are recorded in the name of any person other than the person signing this Letter, then the amount of such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering Holder.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter.

7. Waiver of Conditions. The Company reserves the absolute right to amend or waive any of the specified conditions to the Exchange Offer in the case of any Existing Notes tendered.

8. Mutilated, Lost, Stolen or Destroyed Exisiting Notes. Any Holder whose Existing Notes have been mutilated, lost, stolen, or destroyed should contact the Depositary, at the address indicated above, for further instructions.

9. Requests for Assistance or Additional Copies. Questions relating to the procedure for tendering and requests for additional copies of the Offering Circular and this Letter may be directed to the Information Agent, Kissel-Blake Inc., at 25 Broadway, New York, New York 10004, (800) 554-7733.

Additional information about the Exchange Offer may be obtained from the Information Agent at the address and telephone number indicated above.

<TABLE>
<CAPTION>

TO BE COMPLETED BY ALL EXCHANGING HOLDERS OF EXISTING NOTES
If a person has been indicated under "Special Issuance Instructions, " such person must complete a substitute Form W-9.
(See Instruction 5 and the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.)

PAYER'S NAME: Bankers Trust Company
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION

<S>	<C>	<C>
SUBSTITUTE FORM W-9	PART 1 PLEASE PROVIDE YOUR TAXPAYER IDEN-TIFICATION NUMBER IN THE SPACE AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Taxpayer Identification Number --- --- (Social Security No. or Employer Identification No.)
Department of the Treasury Internal Revenue Service	PART 2 - AWAITING TIN PLEASE CHECK THIS BOX IF YOU ARE AWAITING RECEIPT OF YOUR TAXPAYER IDENTIFICATION NUMBER [_]	
Payer's Request for Taxpayer Identification Number and Certification. For Payees Exempt from Backup Withholding (See Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9)	CERTIFICATION -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a Taxpayer Identification Number to be issued to me), and (2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding. You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). PRINT YOUR NAME: _____ ADDRESS: _____ SIGNATURE: _____ DATE _____ NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 20% ON ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. FOR ADDITIONAL DETAILS, PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9. IF YOU CHECKED THE ABOVE BOX OF THIS SUBSTITUTE FORM W-9 INDICATING THAT YOU ARE AWAITING RECEIPT OF YOUR TAXPAYER IDENTIFICATION NUMBER, YOU MUST, IN ADDITION TO COMPLETING THE ABOVE CERTIFICATION, SIGN AND DATE THE FOLLOWING CERTIFICATION: CERTIFICATE OF PAYEE AWAITING TAXPAYER IDENTIFICATION NUMBER I certify under penalties of perjury, that a Taxpayer Identification Number has not been issued to me, and that I mailed or delivered an application to receive a	

Taxpayer Identification Number to the appropriate IRS Center or Social Security Administration Office (or I intend to mail or deliver an application in the near future). I understand that if I do not provide a Taxpayer Identification Number within 60 days, 20% of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature _____

Date _____

- ---

</TABLE>

IMPORTANT: This Letter or a facsimile hereof (together with Existing Notes and all other required documents) or a Notice of Guaranteed Delivery must be received on or prior to the Expiration Date (as defined in the Offering Circular).

ALCO HEALTH SERVICES CORPORATION

NOTICE OF GUARANTEED DELIVERY
(Not to be used for Signature Guaranty)

As set forth in the Offering Circular dated March 1, 1994 (the "TENDERING PROCEDURES -- Notice of Guaranteed Delivery" and in the accompanying Letter of Transmittal (the "Letter of Transmittal") and Instruction 1 thereto, this form or one substantially equivalent hereto must be used to accept the Exchange Offer if certificates for Existing Notes are not immediately available or time will not permit such holder's certificates or other required documents to reach the Depositary prior to the Expiration Date (as defined in the Offering Circular) of the Exchange Offer. This form may be delivered by hand or sent by telegram, facsimile transmission or mail to the Depositary.

To: Bankers Trust Company, Depositary

By Hand/Overnight Courier:
Bankers Trust Company
Corporate Trust & Agency Group
Receipt & Delivery Window
123 Washington St., 1st Floor
New York, New York 10006

By Mail:
Bankers Trust Company
Corporate Trust & Agency Group
Reorganization Dept.
P.O. Box 1458
Church Street Station
New York, New York 10008-1458

By Facsimile Transmission:
(212) 250-3290

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to Alco Health Services Corporation, upon the terms of and subject to the conditions set forth in the Offering Circular and the related Letter of Transmittal and the instructions thereto (which together constitute the "Exchange Offer"), receipt of which is hereby acknowledged, pursuant to the guaranteed delivery procedures set forth in the Offering Circular, as follows:

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Certificate No.	Principle Amount
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The Book-Entry Transfer Facility Account Number (if the Existing

Notes will be tendered by
book-entry transfer)

Sign Here

Account Number

Signature(s)

Print Name(s)

[ ] DTC [ ] MSTC [ ] PHILADEP

GUARANTEE

(Not to be used for Signature Guaranty)

The undersigned, a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office in the United States, (a) represents and guarantees that (i) the above-named person(s) "own(s)" the Existing Notes tendered hereby within the meaning of Rule 10b-4 under the Securities Exchange Act of 1934 and (ii) that such tender of the Existing Notes complies with Rule 10b-4 and (b) guarantees delivery to the Depositary of certificates for the Existing Notes tendered hereby, in proper form for transfer or delivery of such Existing Notes pursuant to procedures for book-entry transfer, in either case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents, all within five New York Stock Exchange,Inc. trading days after the date hereof.

Printed Firm Name

Authorized Signature

Address

City State Zip Code

Area Code and Telephone Number

Date_____,1994

DO NOT SEND CERTIFICATES OR ANY OTHER REQUIRED DOCUMENTS WITH THIS FORM.

THEY SHOULD BE SENT WITH THE LETTER OF TRANSMITTAL
(UNLESS BOOK-ENTRY TRANSFER FACILITY IS USED).